

IntegraFin Holdings plc - Full Year Results for the Year Ended 30 September 2020

IntegraFin Holdings plc is pleased to report its results for the year to 30 September 2020.

Highlights

- Profit after tax of £45.5m (+11%)
- Funds under direction £41.09bn (+9%)
- Gross inflows of £5.75bn in the year (+1%)

Alex Scott, Chief Executive Officer, commented:

"Given the events that unfolded over the second half of our financial year, we are very pleased to deliver a robust set of results.

Gross inflows of £5.75 billion remained at broadly the same level as last year, while net inflows of £3.59 billion were 3% higher. The increase in net inflows was driven by a reduction in outflows in the second half of the year. I am pleased to report that profit after tax increased by 11% to £45.5 million.

The Directors have declared an interim dividend of 5.6 pence per ordinary share, taking the total dividend for the year to 8.3p per share (2019: 7.8 pence per ordinary share). The dividend is payable on 22 January 2021 to ordinary shareholders on the register on 29 December 2020. The ex-dividend date will be 24 December 2020.

I am also pleased to advise that Transact will be reducing charges again. These reductions will benefit the majority of Transact customers."

Financial Highlights

| | Year ended 30 September 2020 | Year ended 30 September 2019 |
|---|---|---|
| | £m | £m |
| Funds under direction | 41,093 | 37,799 |
| Revenue | 107.3 | 99.2 |
| Profit before tax attributable to shareholder returns | 55.3 | 49.9 |
| Operating profit attributable to shareholder returns | 55.3 | 49.6 |
| Operating margin | 51.5% | 50.0% |
| Basic and diluted earnings per share | 13.7p | 12.4p |

Contacts

Media - Lansons

Tony Langham
Maddy Morgan-Williams

+44 (0)7979 692287
+44 (0)7947 364578

Investors

Jane Isaac

+44 (0)20 7608 4937

Analyst Presentation

IntegraFin Holdings plc will be hosting an analyst presentation on Thursday 17 December 2020 following the release of these results for the year ended 30 September 2020. Attendance is by invitation only. Slides accompanying the analyst presentation will be available on the IntegraFin Holdings plc website.

Annual General Meeting

The Annual General Meeting 2020 is scheduled to be held at 4pm on 4 March 2021 at 29 Clement's Lane, London EC4N 7AE and by telephone.

Cautionary Statement

These results have been prepared in accordance with the requirements of English Company Law and the liabilities of the Directors in connection with these results shall be subject to the limitations and restrictions provided by such law.

These results are prepared for and addressed only to the company's shareholders as a whole and to no other person. The company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom these results are shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

These results contain forward looking statements, which are unavoidably subject to risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. It is believed that the expectations set out in these forward looking statements are reasonable but they may be affected by a wide range of variables which could cause future outcomes to differ from those foreseen. All statements in these results are based upon information known to the company at the date of this report. Except as required by law, the company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

CEO Review

I am pleased to introduce my first review as Chief Executive.

Mike Howard and Ian built the business on a foundation of recruiting high calibre staff to deliver the highest quality customer service as efficiently as possible. I picked up the mantle from Ian in early March as we entered a period of significant change to the operating environment and my primary concerns have been to ensure the ongoing wellbeing of our staff, and the continuing delivery of that service to our clients. This will be an ongoing theme as we negotiate our way through the coming months. With the secure foundation we have built over many years, I believe we can continue to develop our offering to the benefit of all our stakeholders.

Headlines

Given the events that unfolded over the second half of our financial year, we are very pleased to deliver a robust set of results.

Gross inflows of £5.75 billion remained at broadly the same level as last year, while net inflows of £3.59 billion were 3% higher. The increase in net inflows was driven by a reduction in outflows, as clients' spending patterns reduced in the second half of the year.

FUD at the year-end totalled £41.09 billion, an increase of 9% over the year. Other key metrics also continued to demonstrate positive performance, with client numbers passing 190k (+7%) and adviser numbers passing 6k (+6%). This drove an increase in revenue to £107.3 million (+8%) and, coupled with sensible expense management, has enabled us to report that profit before tax increased by 11% to £55.3 million.

Market background

Strong equity market performance where the FTSE All-share index rose 5% from October through to early March was matched by growth in inflows in the platform market, reversing the softening that had occurred throughout much of our previous financial year. This continued through to the tax year end, but changed rapidly as the impact of government measures to address COVID-19 took effect.

The second half, in a completely different, unparalleled operating environment, was difficult for clients and their advisers. Inflows fell across the retail advised platform sector as advisers focused on delivery of service to their current clients. Despite the difficulties, the market continued to function, with services previously provided face-to-face being provided virtually, and paper-based processes being replaced by digital processes.

Over the full year, the retail advised platform market FUD grew by 6% from £433.61 billion (restated September 2019. Revised from £427.7 billion, as stated in FY19's accounts, due to the inclusion of two more competitors) to £460.52 billion (September 2020).

Our activity

Against this backdrop, we have seen a small increase in our market share of FUD, and we consistently rank in the top three firms for gross inflows. According to Fundscape statistics we have achieved the highest 2020 net flows to date among retail advised platforms.

We achieved this by enhancing our service offering with incremental additions to functionality and responsible price reductions creating more value for money for our clients.

For the eleventh year running, Transact retained the top spot in the annual independent research studies by Investment Trends and CoreData. This was especially rewarding as we have had to adapt to delivering our service whilst working from home. As owners of proprietary platform software, we were in full control of the realignment of our technology development - so, from early March, we concentrated on digital processing enhancements, better enabling clients and advisers to manage financial plans with reduced need for physical documents and wet signatures.

The outlook

The outlook is clearly heavily dependent upon the economic effects of the measures being taken to combat COVID-19 and their impact upon equity markets, FUD and flows. The operating environment has become more difficult and unpredictable and this seems likely to remain the case in the coming months. Additionally, there is still little certainty on the shape of the UK's trading relationship with the European Union, despite the proximity of the end of the transition period.

However, none of this changes the fundamental need of individuals and their families to plan and take care of their financial future, so we will continue to refine our systems and processes and further develop and expand the financial infrastructure and associated services that we have successfully delivered for twenty years through both internal investment and consideration of acquisition opportunities. We will keep investing in our staff and supporting them, being especially mindful of their mental welfare in these difficult times. We will continue to manage our cost base prudently, to deliver fair returns for all of our stakeholders, and we will leverage the agility that has helped shape our approach to the events of the last few months, as we advance into the new year.

Alexander Scott
Chief Executive Officer

16 December 2020

FINANCIAL REVIEW

A robust set of results

The FTSE All Share Index was buoyant at the end of our first quarter, in part due to the decisive UK election result in December 2019. It peaked in mid-January, at 4,258 points, before crashing 36% by late March, as the COVID-19 pandemic took hold, many countries went into lockdown and the economic impact was priced into the markets. Recovery from the March low point was erratic, but FUD ended the year 9% up, aided by solid net flows. This has resulted in increased revenue and increased profits.

FUD increased to £41.09 billion (2019: £37.80 billion) with gross inflows of £5.75 billion (2019: £5.70 billion). Outflows decreased slightly to £2.16 billion (2019: £2.20 billion) resulting in increased net inflows of £3.59 billion (2019: £3.50 billion).

Income continued to grow. We generated revenue of £107.3 million (2019: £99.2 million) up 8%, leading to a 11% increase in operating profit attributable to shareholders of £55.3 million (2019: £49.6 million).

This performance was achieved through continuing focus on doing what we do well, and continuing to make it better and more efficient for the future. We continued to develop the delivery of our high quality service by investing in our people and our proprietary technology. These developments allowed us to benefit from ongoing process efficiencies which are reflected in our increased operating margin.

FUD, inflows and outflows

| | For the financial year ended | |
|------------------------------|------------------------------|---------------|
| | 30 September | 2019 |
| | 2020 | |
| | £m | £m |
| Opening FUD | 37,799 | 33,113 |
| Inflows | 5,750 | 5,700 |
| Outflows | (2,160) | (2,203) |
| Net flows | 3,590 | 3,497 |
| Market movements | (224) | 1,197 |
| Other movements ¹ | (72) | (8) |
| Closing FUD | 41,093 | 37,799 |

¹ Other movements includes dividends, interest, fees and tax charges and rebates.

Financial year 2020 saw extreme levels of market volatility. Despite this, the level of client inflows onto Transact marginally improved when compared with FY19. Outflow rates for the year, as a percentage of opening FUD, fell slightly from FY19, resulting in strong net flows which were up 3% year on year. FUD ended the year at £41.09 billion, up £3.29 billion from 2019, an increase of 9%.

Financial performance

Financial year 2020 was another year of robust financial performance. By continuing to generate positive net inflows, through our ability to attract new inflows and retain business already on the platform, we increased FUD. This drove revenue growth and, when coupled with careful management of our expense base, resulted in increased profits.

| Income | For the financial year ended | |
|--|------------------------------|--------------------|
| | 30 September 2020 | 2019 (Restated) |
| | £m | £m |
| Revenue | 107.3 | 99.2 |
| Cost of sales | (0.8) | (0.8) |
| Gross profit | 106.5 | 98.4 |
| Operating expenses | (51.2) | (48.8) |
| Operating profit attributable to shareholder returns | 55.3 | 49.6 |
| Net interest income | 0.0 | 0.3 |
| Profit before tax attributable to shareholder returns | 55.3 | 49.9 |
| Change in investment contract liabilities | 82.9 | (554.8) |
| Fee and commission expenses | (137.6) | (125.6) |
| Investment returns | 54.7 | 680.4 |
| Net policyholder income attributable to policyholder returns | (3.1) | 7.1 |
| Policyholder tax | 3.1 | (7.0) |
| Tax on ordinary activities | (9.8) | (8.9) |
| Profit after tax | 45.5 | 41.1 |

Total gross profit in the financial year to 30 September 2020 increased by £8.1 million, or 8%, to £106.5million from £98.4 million. This increase was achieved after reductions in the annual commission income charge and the threshold at which we rebate buy commission, and reflects the increases in the value of FUD, number of clients and number of tax wrappers held on the platform.

Profit after tax for financial year 2019 has been restated to £41.1 million, an increase from £40.1 million, and an adjustment to 2019 opening retained earnings has been made of £5.4m.

The restatement of profit after tax across prior years is due to the identification of an error in the calculation of the policyholder tax provision (over) in the subsidiary, ILUK, which is one of the elements of the Group's insurance and life assurance segment. The error was due to corporate expenses being deducted in the policyholder tax calculation resulting in an overprovision of tax reserves due back to policyholders. As a result there has been a release of the policyholder tax provision to the retained earnings as at 1 October 2018 and to the statement of profit or loss and other comprehensive income in 2019.

In addition to the restatement explained above, certain comparatives have been reclassified due to an error in presentation in prior years. This has the effect of reflecting items of income, expenses, gains and losses relating to the Group's insurance and life assurance segment on a gross basis, rather than on a net basis. In addition, cash held by the Group's insurance and life assurance segment, for the benefit of policyholders has been separately disclosed in cash and cash equivalents.

These changes have no effect on net assets or overall profit.

Components of revenue

| | For the financial year ended 30 September | |
|--------------------------|--|-------------|
| | 2020 | 2019 |
| | £m | £m |
| Annual commission income | 94.5 | 86.7 |
| Wrapper fee income | 9.7 | 9.0 |
| Other income | 3.1 | 3.5 |
| Total fee income | 107.3 | 99.2 |

Our revenue comprises three elements and two of these elements, annual commission income (an annual, tiered fee on FUD) and wrapper fee income (quarterly wrapper fees for each of the tax wrapper types clients hold) constitute our recurring revenue. The third element is other income and includes buy commission charged on asset purchases.

Annual commission income increased by £7.8 million, or 9%, to £94.5 million (2019: £86.7 million). This growth was achieved through growth in average FUD of 12%, despite volatile market conditions affecting asset values throughout the year.

Wrapper administration fee income increased by £0.7 million, or 8%, to £9.7 million (2019: £9.0 million). This reflects the net increase in the number of open tax wrappers on the platform.

Recurring revenue streams constituted 97% (2019: 97%) of total fee income.

Other income, mainly buy commission and dealing charges, reduced by 11%, £0.4 million, to £3.1 million (2019: £3.5 million). The primary reason for this fall was the reduction in the buy commission rebate threshold, this was introduced to make our charging structure more competitive. The required portfolio value for clients to receive the rebate was reduced from £0.5 million to £0.4 million, with effect from March 2020.

Operating expenses

Total operating expenses increased by £2.4 million, or 5%, to £51.3 million (2019: £48.8 million). The increase was mainly due to an increase in regulatory fees, professional fees and staff costs.

| | For the financial year ended 30 September | |
|---|--|----------------------------|
| | 2020 | 2019 (Restated) |
| | £m | £m |
| Staff costs | 36.9 | 36.3 |
| Occupancy | 2.0 | 3.6 |
| Regulatory and professional fees | 7.0 | 5.5 |
| Other income - tax relief due to shareholders | (1.1) | (1.0) |
| Other costs | 3.8 | 3.7 |
| Total expenses | 48.6 | 48.1 |
| Depreciation and amortisation | 2.6 | 0.7 |
| Total operating expenses | 51.2 | 48.8 |

Staff costs

Staff costs increased by £0.6 million, or 2%, to £36.9 million (2019: £36.3 million).

Average staff numbers decreased from 509 to 492, a drop of 3%. The reduction was the result of natural attrition and efficiency gains delivered through platform development. The small rise in staff costs in the period was attributable to the net effects of general inflationary increases.

Staff share scheme costs, both the Share Incentive Plan (SIP) for all staff and the Performance Share Plan (PSP) for management, did not increase materially.

We operate a defined contribution pension scheme for our staff. The company-paid contribution was increased to 9% of annual salary in FY19, it was not further increased in FY20.

Occupancy

Occupancy costs decreased by £1.6 million due to the implementation of the new lease accounting standard, IFRS 16, which came into effect on 1 October 2019.

IFRS 16 brings leases on-balance sheet and, in our case, applies to the IHP Group property leases for offices in London, the Isle of Man and Australia.

The accounting standard replaces rent expense with straight line depreciation on a right of use asset and notional interest expense on a corresponding lease liability.

Regulatory and professional fees

Regulatory and professional fees increased by £1.5 million, or 27%, to £7.0 million. The most significant increase was in UK Financial Services Compensation Scheme (FSCS) levies, which increased by £0.9 million, or 82%, year on year. There was a smaller increase in professional fees of £0.6 million, attributable to ad hoc project work performed throughout the year.

Other income - tax relief due to shareholders

This relates to the release of tax provisions due back to policyholders. Details of the 2019 restatement can be seen in the financial performance section above.

Depreciation and amortisation

Depreciation and amortisation charges increased by £1.9m and £1.6m of this was attributable to the depreciation arising on the right of use asset on the balance sheet, required by IFRS 16.

An element of the remaining £300k increase in depreciation was due to the purchase of new equipment required to enable staff to work from home, but the majority was due to a full year of depreciation on equipment bought in the latter half of financial year 2019.

Total capitalised expenditure for the financial year was £0.9 million compared with £1.3 million in the prior year.

Net income attributable to policyholder returns, and policyholder tax

Net income attributable to policyholder returns decreased by £10.1m, from income of £8.1m in FY19 to an expense of £2.0m in FY20. Policyholder tax decreased by £10.0m, from a tax charge of £7.0m in FY19 to a tax credit of £3.1m in FY20. Both of these reductions were due to a decrease in the gains on investments held for the benefit of policyholders as a result of the downturn in financial markets during FY20.

Profit before tax attributable to shareholder returns

In the financial year to 30 September 2020 our operating margin increased to 52%.

After including interest income on corporate cash, the interest expense arising from the implementation of IFRS 16 and returns on corporate gilt holdings, profit before tax in the financial year to 30 September 2020 was £55.3 million, an increase of 11% on the prior year.

Tax

The Group has operations in three tax jurisdictions, UK, Australia and Isle of Man, meaning profits are subject to tax at three different rates. However, the vast majority of the Group's income, 95%, is earned in the UK.

Tax on ordinary activities described below solely comprises the Group's 'shareholder corporation tax' which is distinguished from the 'policyholder tax' that the Group collects and remits to HMRC in respect of ILUK, which is taxed under the "I minus E" tax regime.

Tax for the year increased by £0.8 million, or 9%, to £9.8 million (2019: £9.0 million) due to increased profits. Our effective rate of tax over the period remained stable at 18%.

Our tax strategy can be found at: <https://www.integrafin.co.uk/legal-and-regulatory-information/>

Earnings per share

| | 2020 | 2019 (Restated) |
|---|------|--------------------|
| | £m | £m |
| Operating profit attributable to shareholder returns | 55.3 | 49.6 |
| Net interest income | 0.0 | 0.3 |
| Profit before tax attributable to shareholder returns | 55.3 | 49.9 |

| | | |
|--|--------------|--------------|
| Net policyholder income attributable to policyholder returns | (3.1) | 7.1 |
| Policyholder tax | 3.1 | (7.0) |
| Tax on ordinary activities | (9.8) | (8.9) |
| Profit after tax for the period | 45.5 | 41.1 |
| Number of shares in issue | 331.3m | 331.3m |
| Earnings per share - basic and diluted | 13.7p | 12.4p |

Earnings per share increased to 13.7 pence, an increase of 10% on prior year.

The 2019 EPS has been restated in line with the restatement of profit after tax noted in the financial performance section above.

Consolidated statement of financial position

In the consolidated statement of financial position, the material items that merit comment include the following:

Intangible assets (note 13)

The Group's intangible asset as at 30 September 2020 of £13.0 million (2019: £13.0 million) comprises goodwill arising from the purchase of Integrated Application Development Pty Ltd (IAD) in July 2016. Goodwill is tested for impairment each financial year.

Right of use asset and corresponding lease liability (notes 15 and 26)

On 1 October 2019, the Group recognised a right of use asset and a lease liability on adoption of IFRS 16. The right of use asset has been depreciated through the year and ends the year at £4.0 million. The lease liability has also reduced from the net effect of rent payments under the terms of the respective lease agreements and interest charges, and ends the year at £6.1 million.

Deferred acquisition costs and deferred income liability (notes 17 and 27)

Deferred acquisition costs and deferred income liability arise in our life insurance subsidiaries, IntegraLife UK Limited (ILUK) and IntegraLife International Ltd (ILInt). They are driven by the level of adviser fees payable by clients from new insurance wrappers opened in each year. These two line items are required to be shown under IFRS, however, the timing and magnitude of movement in the items always nets off exactly, resulting in zero net effect in each of the companies and in the consolidated statements of financial position. Both items increased by £3.1 million to £53.5 million over the financial year.

Investments and cash held for the benefit of policyholders and liabilities for linked investment contracts (notes 19, 20 and 21)

ILUK and ILInt write only unit-linked insurance policies. They match the assets and liabilities of their linked policies such that, in their own individual statements of financial position, these items always net off exactly. These line items are required to be shown under IFRS in the consolidated statement of profit or loss, the consolidated statement of financial position and the consolidated statement of cash flows, but have zero net effect.

Investments and cash held for the benefit of policyholders have increased to £16.73 billion (2019: £15.45 billion) and £1.38 billion (2019: £1.21 billion) respectively. Liabilities for linked investment contracts increased to £18.11 billion (2019: £16.66 billion). This reflects the increase in the value of FUD held in life insurance wrappers.

Deferred tax liabilities (note 28)

Deferred tax liabilities decreased by £4.2 million to £9.0 million (2019: £13.2 million). This decrease was primarily due to market movements in the assets held in the ILUK's onshore bond tax wrappers during the year. Sufficient cash is held by ILUK to meet this liability.

Provisions (note 30)

Provisions have increased in financial year 2020 by £6.9 million. This is largely due to tax charges deducted from clients not becoming payable to HMRC due to the downturn in the financial markets. If no tax liability arises in the future then these charges will be refunded to policyholders.

Cash and cash equivalents (note 21)

Shareholder cash increased from £132.3m 30 September 2019 to £154.1m at 30 September 2020. The increase of 16% reflects the cash-generative nature of the business and the strength of the liquidity within the Group.

Liquidity and capital management

At 30 September 2020 the Group held cash and cash equivalents of £154.1 million (2019: £132.3 million). Cash generated through trading also covered dividend payments totaling £26.2 million. This comprised £17.2 million second interim dividend in respect of the financial year 2019, paid in January 2020 and £8.9 million first interim dividend in respect of the first half of financial year 2020 (2019: £8.6 million), paid in June 2020.

To enable the Group to offer a wide range of tax wrappers there are three regulated entities within the Group; a UK investment firm, a UK life insurance company and an Isle of Man life insurance company. Each regulated entity maintains capital well above the minimum level of regulatory capital required, ensuring sufficient capital remains available to fund ongoing trading and future growth. Cash and investments in short-dated gilts are held to cover regulatory capital requirements and tax liabilities.

The regulatory capital requirements and resources in ILUK and ILInt are calculated by reference to economic capital-based regimes, and therefore do not directly equate to IFAL's expense-based regulatory capital requirements. These bases are determined by the appropriate regulations that apply for each of the companies.

Regulatory Capital

| For the financial year ended 30 September 2020 | | | |
|---|---------------------------------------|---------------------------------|---------------------|
| | Regulatory Capital requirements | Regulatory Capital resources | Regulatory Cover |
| | £m | £m | % |
| IFAL | 24.0 | 34.1 | 141.8 |
| ILUK | 170.4 | 239.3 | 140.4 |
| ILInt | 18.5 | 33.4 | 180.7 |

All of the company's regulated subsidiaries continue to hold regulatory capital resources well in excess of their regulatory capital requirements. We will maintain sufficient regulatory capital and an appropriate level of working capital. We will use retained capital to further invest in the delivery of our service to clients, pay dividends to shareholders and provide fair rewards to staff.

Capital

| For the financial year ended 30 September 2020 | |
|--|--------|
| | £m |
| Total equity | 140.9 |
| Loans and receivables, intangible assets and property, plant and equipment | (22.0) |
| Available capital pre dividend | 118.9 |
| Interim dividend declared | (18.6) |
| Available capital post dividend | 100.3 |
| Additional risk appetite capital | (63.5) |
| Surplus | 36.9 |

Additional risk appetite capital is capital the IHP Board considers to be appropriate for it to hold to ensure the smooth operation of the business such that it is able to meet future risks to the business plan and future changes to regulatory capital requirements without recourse to additional capital.

The board considers the impact of regulatory capital requirements and risk appetite levels on prospective dividends from all of its regulated subsidiaries. Our Group's Pillar 3 document contains further details and can be found on our website at: <https://www.integrafin.co.uk/legal-and-regulatory-information/Pillar3Disclosures>.

As stated in the Chair's report, the board has declared a second interim dividend for the year of 5.6 pence per ordinary share, taking the total dividend for the year to 8.3 pence per share (2019: 7.8 pence)

Given the net cash, liquidity and capital coverage positions as set out above, the Group is well positioned to fund the £18.6 million dividend.

| Dividend Type | Share Class | 2020 £m | 2019 £m |
|---------------------------|-------------|------------|------------|
| Ordinary | All | 27.5 | 25.8 |
| Per share | | | |
| Ordinary - first interim | All | 2.7 pence | 2.6 pence |
| Ordinary - second interim | All | 5.6 pence | 5.2 pence |

Key risks

There are factors within and outside of our control that may affect the achievement of our strategic objectives. We aim to mitigate exposures that are outside our risk appetite where possible. The key risks associated with our strategic objectives are:

1. **Stock market volatility:** The COVID-19 pandemic created immense uncertainty in stock markets throughout the year, with large fluctuations from day to day, as news emerged. The shape and implementation of the Brexit deal the UK agrees with the EU may also continue to have a negative impact on stock markets for some time. Stock market volatility impacts the value of our FUD.

Risk management and control: The risk of stock market volatility, and the impact on revenue, is mitigated through a wide asset offering which ensures we are not wholly correlated with one market, and which enables clients to switch assets in times of uncertainty. In particular, clients are able to switch into cash assets, which remain on our platform. Our wrapper fees are not impacted by stock market volatility as they are a fixed quarterly charge. We also closely monitor and control expenses, which assists in maintaining profit in turbulent times.

2. **Service standards failure:** Our high levels of client and adviser retention are dependent upon our consistent and reliable levels of service. Failure to maintain these service levels would affect our ability to attract and retain business.

Risk management and control: We manage the risk of service standards failure by ensuring our service standards do not deteriorate. This is achieved by providing our client service teams with extensive initial and ongoing training, supported by experienced subject matter experts and managers. Service levels are monitored and quality checked and any deviation from expected service levels is addressed. We also conduct satisfaction surveys to ensure our service levels are still perceived as excellent by our clients and their advisers. Service standards are also dependent on resilient operations, both current and forward looking, ensuring that risk management is in place.

3. **Increased competition:** We operate in a competitive market. Increased levels of competition for clients and advisers; improvements in offerings from other investment platforms; and consolidation in the adviser market may all make it more challenging to attract and retain business.

Risk management and control: Competitor risk is mitigated by focusing on providing exceptionally high levels of service and being responsive to client and financial adviser demands through an efficient expense base. This allows us to continue to increase the value for money of our service by reducing client charges, subject to profit and capital parameters when deemed appropriate.

4. **Diversion of resources:** Maintaining our quality and relevance requires ongoing investment. Any reduction in investment due to diversion of resources to other non-discretionary expenditure (for example, a change in the taxation regime or other regulatory developments) may affect our competitive position.

Risk management and control: The risk of reduced investment in the platform is managed through a disciplined approach to expense management and forecasting. We horizon scan for upcoming regulatory and taxation regime changes and maintain contingency to allow for unexpected expenses e.g. FSCS levies, which ensures we do not need to compromise on investment in our platform to a degree that affects our offering.

5. **Uncontrolled expenses:** Higher expenses than expected and budgeted for would adversely impact cash profits. The key constituent of expenses is salary costs, but other expenses are more likely to change unexpectedly, for example legal, compliance or regulatory costs and levies.

Risk management and control: The most significant element of our expense base is staff costs. These are controlled through modelling staff requirements against forecast business volumes, factoring in efficiencies that it is expected will emerge through platform development. Any expenditure request that deviates from plan is rigorously challenged and must be approved before it is incurred.

- 6. Capital strain:** Unexpected, additional capital requirements imposed by regulators may negatively impact our solvency coverage ratio.

Risk management and control: We continuously monitor the current and expected future regulatory environment and ensure that all regulatory obligations are or will be met. This provides a proactive control to mitigate this risk. Additionally, we carry out an assessment of our capital requirements, which includes assessing the regulatory capital required. We retain a capital buffer over and above the regulatory minimum solvency capital requirements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the Annual Report and financial statements, taken as a whole, give a fair, balanced and understandable view which provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Company law requires the directors to prepare financial statements for each financial year.

Under that law the directors are required to prepare the group financial statements and have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group and company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and Group will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.

The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

The current directors, at the date of approval of this report, confirm that:

- they have taken all of the steps that they ought to have taken as directors to make themselves aware of any information needed by the company's auditor for the purposes of the audit, and to establish that the auditor is aware of that information;
- they are not aware of any relevant audit information of which the auditor is unaware;
- to the best of their knowledge, the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the [issuer](#) and the undertakings included in the consolidation taken as a whole;
- the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the company and Group.

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements as they believe the Group will continue to be in business, and meet any liabilities as they fall due, for a period of at least twelve months from the date of approval of the financial statements.

By order of the board,

Helen Wakeford
Company Secretary

16 December 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | 2020 £'000 | 2019 (Restated) £'000 |
|---|-----------|----------------|--------------------------|
| Revenue | | | |
| Fee income | 5 | 107,320 | 99,165 |
| Cost of sales | | (865) | (806) |
| Gross profit | | 106,455 | 98,359 |
| Administrative expenses | 8 | (51,016) | (48,773) |
| Credit loss allowance on financial assets | 23 | (176) | (20) |
| Net income attributable to policyholder returns | 12 | (3,066) | 7,115 |
| Operating profit | | 52,197 | 56,681 |
| Operating profit attributable to policyholder returns | 12 | (3,066) | 7,115 |
| Operating profit attributable to shareholder returns | | 55,263 | 49,566 |
| Change in investment contract liabilities | 20 | 82,895 | (554,767) |
| Fee and commission expenses | 20 | (137,536) | (125,618) |
| Investment returns | 10 | 54,677 | 680,422 |
| Interest expense | 26 | (233) | - |
| Interest income | 9 | 256 | 308 |
| Profit on ordinary activities before taxation | | 52,256 | 57,026 |
| Profit on ordinary activities before taxation attributable to policyholder returns | 12 | (3,066) | 7,115 |
| Profit on ordinary activities before taxation attributable to shareholder returns | | 55,322 | 49,911 |

| | | | |
|--|-----------|---------------|---------------|
| Policyholder tax | 12 | 3,066 | (6,969) |
| Tax on profit on ordinary activities | 11 | (9,838) | (8,950) |
| Profit for the financial year | | 45,484 | 41,107 |
| Other comprehensive income | | | |
| Exchange gains/(losses) arising on translation of foreign operations | | 22 | (20) |
| Total other comprehensive income for the financial year | | 22 | (20) |
| Total comprehensive income for the financial year | | 45,506 | 41,087 |
| Earnings per share | | | |
| Earnings per share - basic and diluted | 7 | 13.7p | 12.4p |

All activities of the Group are classed as continuing.

Notes 1 to 40 form part of these Financial Statements
COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | 2020 £'000 | 2019 £'000 |
|--|-------------|-----------------------|-----------------------|
| Revenue | | - | - |
| Cost of sales | | - | - |
| Gross profit | | - | - |
| Administrative expenses | 8 | (1,208) | (1,096) |
| Credit loss allowance on financial assets | 18 | (85) | (24) |
| Operating loss | | (1,293) | (1,120) |
| Dividend income | 38 | 32,326 | 30,118 |
| Interest income | 9 | 91 | 66 |
| Profit on ordinary activities before taxation | | 31,124 | 29,064 |
| Tax on profit on ordinary activities | 11 | - | - |
| Profit for the financial year | | 31,124 | 29,064 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the financial year | | 31,124 | 29,064 |

All activities of the Company are classed as continuing.

Notes 1 to 40 form part of these Financial Statements
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 2020 £'000 | 2019 (restated) £'000 | 1 October 2018 £'000 |
|---|-------------|-----------------------|--------------------------------------|-------------------------------------|
| Non-current assets | | | | |
| Loans | 18 | 2,647 | 1,185 | 1,189 |
| Intangible assets | 13 | 12,951 | 12,951 | 12,966 |
| Property, plant and equipment | 14 | 2,313 | 2,405 | 1,813 |
| Right of use assets | 15 | 3,961 | - | - |
| Deferred tax asset | 28 | 489 | 157 | 44 |
| Deferred acquisition costs | 17 | 53,482 | 50,443 | 46,073 |
| | | 75,843 | 67,141 | 62,085 |
| Current assets | | | | |
| Financial assets at fair value through profit or loss | 22 | 5,051 | 5,066 | 6,219 |
| Other prepayments and accrued income | 23 | 14,412 | 13,082 | 11,471 |
| Trade and other receivables | 24 | 3,556 | 7,189 | 4,591 |

| | | | | |
|---|-----------|----------------|----------------|----------------|
| Investments held for the benefit of policyholders | 19 | 16,727,208 | 15,454,769 | 13,376,481 |
| Cash and cash equivalents | 21 | 1,539,843 | 1,342,619 | 1,230,301 |
| Current tax asset | | 53 | - | - |
| | | 18,290,123 | 16,822,725 | 14,629,063 |
| Current liabilities | | | | |
| Trade and other payables | 25 | 18,366 | 17,024 | 14,764 |
| Lease liabilities | 26 | 2,375 | - | - |
| Liabilities for linked investment contracts | 20 | 18,112,935 | 16,665,048 | 14,489,933 |
| Current tax liabilities | | - | 3,987 | 3,702 |
| | | 18,133,676 | 16,686,059 | 14,508,399 |
| Non-current liabilities | | | | |
| Provisions | 30 | 25,208 | 18,230 | 13,756 |
| Lease liabilities | 26 | 3,712 | - | - |
| Deferred income liability | 27 | 53,482 | 50,443 | 46,073 |
| Deferred tax liabilities | 28 | 8,968 | 13,248 | 12,570 |
| | | 91,370 | 81,921 | 72,399 |
| Net assets | | 140,920 | 121,886 | 110,350 |
| Capital and reserves | | | | |
| Called up equity share capital | | 3,313 | 3,313 | 3,313 |
| Capital redemption reserve | 31 | 2 | 2 | 2 |
| Share-based payment reserve | 32 | 1,698 | 1,008 | 530 |
| Employee Benefit Trust reserve | 33 | (1,103) | (275) | - |
| Foreign exchange reserve | 34 | (22) | (44) | (24) |
| Non-distributable reserves | 34 | 5,722 | 5,722 | 5,722 |
| Non-distributable insurance reserves | 34 | 501 | 501 | 501 |
| Profit or loss account | | 130,809 | 111,659 | 100,306 |
| Total equity | | 140,920 | 121,886 | 110,350 |

These Financial Statements were approved by the Board of Directors on 16 December 2020 and are signed on their behalf by:

Alexander Scott
Director
Company Registration Number: 08860879

Notes 1 to 40 form part of these Financial Statements

COMPANY STATEMENT OF FINANCIAL POSITION

| | Note | 2020 £'000 | 2019 £'000 |
|----------------------------|-------------|-----------------------|-----------------------|
| Non-current assets | | | |
| Investment in subsidiaries | 16 | 16,832 | 15,800 |
| Loans | 18 | 2,647 | 1,184 |
| | | 19,479 | 16,984 |
| Current assets | | | |
| Prepayments | 23 | 56 | 30 |
| Other receivables | 24 | 342 | 86 |
| Cash and cash equivalents | | 26,090 | 24,342 |
| | | 26,488 | 24,458 |
| Current liabilities | | | |
| Trade and other payables | 25 | 491 | 518 |
| | | 491 | 518 |
| Net assets | | 45,476 | 40,924 |

Capital and reserves

| | | | |
|--------------------------------|-----------|---------------|---------------|
| Called up equity share capital | | 3,313 | 3,313 |
| Profit or loss account | | 41,962 | 37,006 |
| Share-based payment reserve | 32 | 1,070 | 880 |
| Employee Benefit Trust reserve | 33 | (869) | (275) |
| Total equity | | 45,476 | 40,924 |

These Financial Statements were approved by the Board of Directors on 16 December 2020 and are signed on their behalf by:

Alexander Scott
Director

Company Registration Number: 08860879

Notes 1 to 40 form part of these Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2020 | 2019 |
|---|-----------------|-------------------|
| | £'000 | £'000 |
| | | (Restated) |
| Cash flows from operating activities | | |
| Profit before tax | 52,256 | 57,026 |
| Adjustments for: | | |
| Amortisation and depreciation | 2,571 | 669 |
| Share-based payment charge | 1,776 | 1,237 |
| Interest on cash held | (256) | (308) |
| Interest charged on lease | 234 | - |
| Investment returns | (36) | (37) |
| Increase in policyholder tax recoverable | (1,515) | - |
| Decrease in current asset investments | 15 | 1,153 |
| | 55,045 | 59,740 |
| Decrease/(increase) in trade and other receivables | 2,305 | (4,211) |
| Increase in trade and other payables | 3,858 | 2,260 |
| Increase in provisions | 6,978 | 5,041 |
| Decrease in share based payment reserve | (1,126) | - |
| Increase in investments held for the benefit of policyholders | (1,272,440) | (2,078,288) |
| Increase in liabilities for linked investment contracts | 1,447,887 | 2,175,115 |
| Cash generated from operations | 242,507 | 159,657 |
| Income taxes paid | (13,803) | (15,633) |
| Interest paid on lease liabilities | (234) | - |
| Net cash flows from operating activities | 228,470 | 144,024 |
| Investing activities | | |
| Acquisition of tangible assets | (859) | (1,246) |
| Decrease/(increase) in loans | (1,462) | 3 |
| Interest on cash held | 256 | 308 |
| Investment returns | 36 | 37 |
| Net cash used in investing activities | (2,029) | (898) |
| Financing activities | | |
| Purchase of own shares in Employee Benefit Trust | (828) | (275) |
| Settlement of share-based payment reserve | - | (706) |
| Equity dividends paid | (26,158) | (29,807) |
| Repayment of lease liabilities | (2,244) | - |
| Net cash used in financing activities | (29,230) | (30,788) |
| Net increase in cash and cash equivalents | 197,211 | 112,338 |

| | | |
|---|------------------|------------------|
| Cash and cash equivalents at beginning of year | 1,342,619 | 1,230,301 |
| Exchange gain/(losses) on cash and cash equivalents | 13 | (20) |
| Cash and cash equivalents at end of year | 1,539,843 | 1,342,619 |

Notes 1 to 40 form part of these Financial Statements

COMPANY STATEMENT OF CASH FLOWS

| | 2020 £'000 | 2019 £'000 |
|---|-----------------|-----------------|
| Cash flows from operating activities | | |
| Loss before interest and dividends | (1,293) | (1,120) |
| Adjustments for: | | |
| Increase in trade and other receivables | (306) | (30) |
| Decrease in trade and other payables | (4) | (205) |
| Net cash flows from operating activities | (1,603) | (1,355) |
| Investing activities | | |
| Dividends received | 32,326 | 30,118 |
| Interest received | 91 | 66 |
| Decrease/(increase) in loans | (1,462) | 3 |
| Net cash generated from investing activities | 30,955 | 30,187 |
| Financing activities | | |
| Purchase of own shares in Employee Benefit Trust | (594) | (275) |
| Settlement of share-based payment reserve | (843) | (706) |
| Equity dividends paid | (26,167) | (29,818) |
| Net cash used in financing activities | (27,604) | (30,799) |
| Net increase/(decrease) in cash and cash equivalents | 1,748 | (1,967) |
| Cash and cash equivalents at beginning of year | 24,342 | 26,309 |
| Cash and cash equivalents at end of year | 26,090 | 24,342 |

Notes 1 to 40 form part of these Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital £'000 | Non-distributable reserves £'000 | Other reserves £'000 | Share-based payment reserve £'000 | Non-distributable insurance reserves £'000 | Employee Benefit Trust £'000 | Retained earnings £'000 | Total equity £'000 |
|--|------------------------|-------------------------------------|-------------------------|--------------------------------------|---|---------------------------------|----------------------------|-----------------------|
| Balance at 1 October 2018 | 3,313 | 5,722 | (22) | 530 | 501 | - | 94,899 | 104,943 |
| Correction of retained earnings | - | - | - | - | - | - | 5,408 | 5,408 |
| Restated balance at 1 October 2018 | 3,313 | 5,722 | (22) | 530 | 501 | - | 100,307 | 110,351 |
| Comprehensive income for the year: | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 41,107 | 41,107 |
| Movement in currency translation | - | - | (20) | - | - | - | - | (20) |
| Total comprehensive income for the year | - | - | (20) | - | - | - | 41,107 | 41,087 |
| Distributions to owners: | | | | | | | | |
| Dividends | - | - | - | - | - | - | (29,807) | (29,807) |
| Share based payment reserve | - | - | - | 1,237 | - | - | - | 1,237 |

| | | | | | | | | |
|--|--------------|--------------|-------------|--------------|------------|----------------|-----------------|-----------------|
| Settlement of share based payment expense | - | - | - | (707) | - | - | - | (707) |
| Purchase of own shares in EBT | - | - | - | - | - | (275) | - | (275) |
| Other movement | - | - | - | (52) | - | - | 52 | - |
| Total distributions to owners | - | - | - | 478 | - | (275) | (29,755) | (29,552) |
| Balance at 1 October 2019 | 3,313 | 5,722 | (42) | 1,008 | 501 | (275) | 111,659 | 121,886 |
| Impact of IFRS 16 | - | - | - | - | - | - | (240) | (240) |
| Deferred tax on IFRS 16 | - | - | - | - | - | - | 31 | 31 |
| Adjusted balance at 1 October 2019 | 3,313 | 5,722 | (42) | 1,008 | 501 | (275) | 111,450 | 121,677 |
| Comprehensive income for the year: | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 45,484 | 45,484 |
| Movement in currency translation | - | - | 22 | - | - | - | - | 22 |
| Total comprehensive income for the year | - | - | 22 | - | - | - | 45,484 | 45,506 |
| Distributions to owners: | | | | | | | | |
| Share-based payment expense | - | - | - | 1,776 | - | - | - | 1,776 |
| Settlement of share based payment | - | - | - | (1,126) | - | - | - | (1,126) |
| Purchase of own shares in EBT | - | - | - | - | - | (828) | - | (828) |
| Excess tax relief charged to equity | - | - | - | 73 | - | - | - | 73 |
| Other movement | - | - | - | (33) | - | - | 33 | - |
| Dividends paid | - | - | - | - | - | - | (26,158) | (26,158) |
| Total distributions to owners | - | - | - | 690 | - | (828) | (26,125) | (26,263) |
| Balance at 30 September 2020 | 3,313 | 5,722 | (20) | 1,698 | 501 | (1,103) | 130,809 | 140,920 |

COMPANY STATEMENT OF CHANGES IN EQUITY

| | Share capital £'000 | Share-based payment reserve £'000 | Employee Benefit Trust £'000 | Retained earnings £'000 | Total equity £'000 |
|--|------------------------|--------------------------------------|---------------------------------|----------------------------|-----------------------|
| Balance at 1 October 2018 | 3,313 | 350 | - | 37,760 | 41,423 |
| Comprehensive income for the year: | | | | | |
| Profit for the year | - | - | - | 29,064 | 29,064 |
| Total comprehensive income for the year | - | - | - | 29,064 | 29,064 |
| Distributions to owners: | | | | | |
| Dividends | - | - | - | (29,818) | (29,818) |
| Share-based payment expense | - | 1,237 | - | - | 1,237 |
| Settlement of share-based payments | - | (707) | - | - | (707) |
| Purchase of own shares in EBT | - | - | (275) | - | (275) |
| Total distributions to owners | - | 530 | (275) | (29,818) | (29,563) |
| Balance at 1 October 2019 | 3,313 | 880 | (275) | 37,006 | 40,924 |
| Comprehensive income for the year: | | | | | |
| Profit for the year | - | - | - | 31,124 | 31,124 |
| Total comprehensive income for the year | - | - | - | 31,124 | 31,124 |
| Distributions to owners: | | | | | |
| Dividends | - | - | - | (26,167) | (26,167) |
| Share-based payment expense | - | 1,032 | - | - | 189 |
| Settlement of share-based payments | - | (843) | - | - | - |
| Purchase of own shares in EBT | - | - | (594) | - | (594) |
| Total distributions to owners | - | 189 | (594) | (26,167) | (26,572) |
| Balance at 30 September 2020 | 3,313 | 1,069 | (869) | 41,963 | 45,476 |

Notes 1 to 40 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and significant accounting policies

General information

IntegraFin Holdings plc (the "Company") a public limited company incorporated and domiciled in the United Kingdom ("UK"), along with its subsidiaries (collectively the "Group") offers a market leading investment platform which enables advisers to implement financial plans as simply and efficiently as possible.

The registered office address, and principle place of business, is 29 Clement's Lane, London, EC4N 7AE.

a) Basis of preparation

The Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, which are stated at their fair value, have been prepared in pound sterling, which is the functional currency of the Company and are rounded to the nearest thousand.

Going concern

The financial statements have been prepared on a going concern basis, following an assessment by the board.

Going concern is assessed over the 12 month period from when the Annual Report is approved, and the board has concluded that the Group has adequate resources to continue in operational existence for the next 12 months. This is supported by:

- The current financial position of the Group;
 - o The Group maintains a conservative balance sheet and manages and monitors solvency and liquidity on an ongoing basis, ensuring that it always has sufficient financial resources for the foreseeable future.
 - o As at 30 September 2020, the Group had £154 million of shareholder cash on the balance sheet, demonstrating that liquidity remains strong.
- Detailed cash flow and working capital projections; and
- Stress-testing of liquidity, profitability and regulatory capital, taking account of possible adverse changes in trading performance, including the impact of COVID-19.

When making this assessment, the board has taken into consideration both the Group's current performance and the future outlook, including the impact of the COVID-19 pandemic. Market volatility and uncertainty is expected to continue for some time, due to the pandemic and the effect of measures taken to combat it, but the Group's fundamentals remain strong.

Stress and scenario testing has been carried out, in order to understand the potential financial impacts of severe, yet plausible, scenarios on the Group. The following scenarios have been considered that give specific consideration to COVID-19:

- A prolonged economic downturn as COVID-19 cases increase, leading to a reduced investor propensity for savings
- Loss of investor confidence in capital and investment markets due to an extended period of pandemic, combined with the end of the transitional period with the EU
- Loss of investor confidence (as above), combined with an internal cyber attack

Having conducted detailed cash flow and working capital projections, and stress-tested liquidity, profitability and regulatory capital, taking account of the impact of the COVID-19 pandemic and further possible adverse changes in trading performance, the board is satisfied that the Group is well placed to manage its business risks.

The board is also satisfied that it will be able to operate within the regulatory capital limits imposed by the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), and Isle Man Financial Services Authority (IoM FSA). Accordingly, the board does not believe a material uncertainty exists that would have an effect on the going concern of the Group and have prepared the financial statements on a going concern basis.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases. Acquisitions are accounted for under the acquisition method. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

The Financial Statements of all of the wholly owned subsidiary companies are incorporated into the consolidated Financial Statements. Two of these subsidiaries, IntegraLife International Limited (ILInt) and IntegraLife UK Limited (ILUK) issue contracts with the legal form of insurance contracts, but which do not transfer significant insurance risk from the policyholder to the Company, and which are therefore accounted for as investment contracts.

In accordance with IFRS 9, the contracts concerned are therefore reflected in the consolidated statement of financial position as investments held for the benefit of policyholders, and a corresponding liability to policyholders.

b) New accounting standards

IFRS 16 Leases

The Group adopted IFRS 16 on 1 October 2019. The Group used the modified retrospective approach of transition, which uses the net effect of applying IFRS 16 on the first day of the first accounting period in which the new standard is applied.

The recognised right of use assets all relate to rental leases for the offices of the Group previously classified as "operating leases". Such leases have varying terms, clauses and renewal rights.

The Group recognises a right of use asset and corresponding lease liability on the date a leased asset is made available for use by the Group, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expenses on a straight line basis over the term of lease.

On commencement date, the Group measured the lease liability as the present value of all future lease payments, discounted using the incremental borrowing rate of 3.2% at the date of transition. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions.

The standard allows companies to apply practical expedients when using the modified retrospective approach of transition. The Group has chosen to use a single discount rate to its portfolio of leases as they all have reasonably similar characteristics.

The right of use asset was measured at its net book value, assuming it had been capitalised and depreciated from inception. The net effect is recognised through an adjustment to retained earnings. Prior periods have not been restated.

The table below shows the impact on retained earnings of recognising the asset and the corresponding liabilities for each of the leases, and the release of the rent free reserve.

| | |
|--|---------|
| Right of use assets - 1 October 2019 | £5.6m |
| Lease liabilities - 1 October 2019 | (£8.3m) |
| Release of rent free reserve liability | £2.5m |
| Reduction to retained earnings - 1 October | (£0.2m) |

Details of the right of use asset and the lease liability are set out in Notes 15 and 26 respectively.

The following is a reconciliation of total operating lease commitments at 30 September 2019 (as disclosed in the Annual Report to 30 September 2019) to the lease liabilities recognised at 1 October 2019:

| | £'000 |
|--|--------------|
| Lease commitments - 1 October 2019 | 8,841 |
| Discounted using incremental borrowing rate | (505) |
| Lease liabilities on adoption of IFRS 16 - 1 October 2019 | 8,336 |

No other standards or amendments adopted in the period had a material effect on the financial statements.

c) Future standards, amendments to standards, and interpretations not early-adopted in the 2020 annual Financial Statements.

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and will replace IFRS 4 Insurance Contracts. An exposure draft was issued in June 2019. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The Group would be required to provide information that faithfully represents those contracts, such that users of the financial statements can assess the effect insurance contracts have on the entity's financial position, financial performance and cash flows. The standard is effective for accounting periods beginning on or after 1 January 2023, subject to EU endorsement.

The Group has performed a preliminary assessment regarding the impact of IFRS 17 on the Financial Statements and, due to the vast majority of contracts written by the business being investment contracts, it is expected such impact will be negligible.

No other future standards, amendments to standards, or interpretations are expected to have a material effect on the financial statements.

d) Principal accounting policies

Revenue from contracts with customers

Revenue represents the fair value of services supplied by the Company. All fee income is recognised as revenue in line with the provision of the services.

Fee income comprises:

Annual commission income

Annual commission is charged for the administration of products on the Transact platform, and is levied monthly in arrears on the average value of assets and cash held on the platform in the month.

Wrapper fee income

Wrapper fees are charged for each of the tax wrappers held by clients, and are levied quarterly in arrears based on fixed fees for each wrapper type.

Annual commission and wrapper fees relate to services provided on an on-going basis, and revenue is therefore recognised on an on-going basis to reflect the nature of the performance obligations being discharged.

Accrued income on both annual commission and wrapper fees is recognised as a trade receivable on the statement of financial position, as the Group's right to consideration is conditional on nothing other than the passage of time.

Other income

This comprises buy commission and dealing charges. These are charges levied on the acquisition of assets, due upon completion of the transaction. Revenue is recorded on the date of completion of the transaction, as this is the date the services are provided to the customer.

Deferred acquisition costs and deferred income liabilities

Incremental costs directly attributable to securing investment contracts are deferred. These costs consist of fees paid to policyholders' financial advisers. The costs relating to Pension, Onshore Life and Offshore Life contracts are capitalised as deferred acquisition costs and are amortised over the Directors' best estimates of the lives of the contracts which are deemed to be fourteen, sixteen and eighteen years respectively (2019: fourteen, sixteen and eighteen years), over which the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the deferred costs are amortised on a linear basis over the expected life of the contract, adjusted for expected persistency.

A corresponding deferred income liability is recognised in respect of charges taken from customers of the Company at the contract's inception to meet obligations to financial advisers. Deferred income liabilities are also amortised over the Directors' best estimates of the lives of the contract, which are again deemed to be fourteen, sixteen and eighteen years. At the end of each reporting period, deferred acquisition costs are reviewed for recoverability, against future margins from the related contracts at the statement of financial position date. An impairment loss is recognised in the statement of profit or loss and other comprehensive income if the carrying amount of the deferred acquisition costs is greater than the future margins from the related contracts.

Deferred acquisition costs and deferred income liability are required to be shown under IFRS, however, the timing and magnitude of movement in the items always nets off exactly, resulting in zero net effect in each of the companies and in the consolidated statements of financial position.

Investment income

Interest on cash and coupon on shareholder gilts are the two sources of investment income received. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that financial asset's carrying amount.

Investments

Fixed asset investments in subsidiaries are stated at cost less any provision for impairment.

Other investments comprise UK Government fixed interest securities backing insurance contracts or held as shareholder investments. These investments are mandatorily held at 'fair value through profit or loss' at initial recognition and are stated at quoted bid prices which equates to fair value, with any resultant gain or loss recognised in profit or loss. Purchases and sales of securities are recognised on the trade date.

Investment contracts - investments held for the benefit of policyholders

Investment contracts are comprised of unit-linked contracts in ILInt and ILUK. Investment contracts result in financial liabilities whose fair value is dependent on the fair value of underlying financial assets. They are designated at inception as financial liabilities at 'fair value through profit or loss' in order to reduce an accounting mismatch with the underlying financial assets.

Valuation techniques are used to establish the fair value at inception and each reporting date. The Company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The financial liability is measured both initially and subsequently at fair value. The fair value of a unit-linked financial liability is determined using the fair value of the financial assets contained within the funds linked to the financial liability.

Dividends

Equity dividends are recognised in the accounting period in which the dividends are declared.

Intangible non-current assets

Intangible non-current assets, excluding goodwill, are stated at cost less accumulated amortisation and comprise intellectual property software rights. The software rights were amortised over seven years on a straight line basis, as it was estimated that the code would be replaced every seven years, and therefore have a finite useful life. The software rights are now fully amortised, but due to ongoing system development and coding updates no replacement is required. Goodwill is held at cost and, in accordance with IFRS, is not amortised but is subject to annual impairment reviews.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the profit and loss and other comprehensive income statement during the period in which they are incurred.

The major categories of property, plant, equipment and motor vehicles are depreciated as follows:

| Asset class | All UK and Isle of Man entities | Australian entity |
|------------------------|--|-------------------------------------|
| Leasehold improvements | Straight line over the life of the lease | Straight line over 40 years |
| Fixtures & Fittings | Straight line over 10 years | Reducing balance over 2 to 8 years |
| Equipment | Straight line over 3 to 10 years | Reducing balance over 3 to 10 years |
| Motor vehicles | N/A | Reducing balance over 2 to 8 years |

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Impairment of non-financial assets

Property, plant and equipment, right of use assets and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset).

The Group evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Goodwill is tested for impairment annually, and once an impairment is recognised this cannot be reversed. For more detailed information in relation to this, please see note 13.

Pensions

The Group makes defined contributions to the personal pension schemes of its employees. These are chargeable to profit or loss in the year in which they become payable.

Foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rate in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated to sterling at the year end closing rate. Non-monetary assets denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate in effect at the date when the fair value was determined. Foreign exchange rate differences that arise are reported net in profit or loss as foreign exchange gains/losses.

The assets and liabilities of foreign operations are translated to sterling using the year end closing exchange rate. The revenues and expenses of foreign operations are translated to sterling at rates approximating the foreign exchange rates ruling at the relevant month of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the reserves.

Taxation

The taxation charge is based on the taxable result for the year. The taxable result for the year is determined in accordance with enacted legislation and taxation authority practice for calculating the amount of corporation tax payable.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets/liabilities are recovered/settled.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the chief executive officer of the Company.

For the year ended 30 September 2020, the business of ILUK and ILInt was the direct insurance of investment linked pensions business, written by single premium in the United Kingdom, single premium life assurance linked bonds and linked qualifying investment plans written in the United Kingdom. Insurance risk is minimal as all contracts have been classed as investment contracts.

ILInt and ILUK policyholder assets and liabilities

Investments held for the benefit of policyholders are stated at fair value and reported on a separate line in the statement of financial position. They are designated as financial assets at 'fair value through profit or loss' in order to reduce an accounting mismatch option with the equivalent financial liabilities. Gains and losses arising from changes in fair value are presented in the consolidated profit and loss and other comprehensive income statement within "investment returns".

Investment inflows received from policyholders are invested in funds selected by the policyholders. The resulting liabilities for linked investment contracts are accounted for under the 'fair value through profit or loss' option, in line with the corresponding assets as permitted by IFRS 9.

As all investments held for the benefit of policyholders are matched entirely by corresponding linked liabilities, any gain or loss on assets recognised through the consolidated profit and loss and other comprehensive income statement are offset entirely by the gains and losses on linked liabilities, which are recognised within the "change in investment contract liabilities" line. The overall net impact on profit is therefore £nil.

Client assets and client monies

IFAL client assets and client monies are not recognised in the parent and consolidated statements of financial position (see Note 29) as they are owned by the clients of IFAL.

Lease agreements

Prior year rental costs were recognised as operating leases and charged to the statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease. Where an incentive to sign the lease had been taken, the incentive was spread on a straight line basis over the lease term. However, with the introduction of IFRS 16 from 1 October 2019, rental costs are now recognised on the balance sheet under 'Lease liabilities', with interest charged to the statement of profit or loss. A corresponding asset is recognised and depreciation is charged to the statement of profit or loss on a straight line basis over the lease term. Details of the lease commitments are set out in Note 26.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances from instant access and notice accounts, call deposits, and other short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents held for the benefit of the policyholders are held to cover the liabilities for unit linked investment contracts. These amounts are 100% matched to corresponding liabilities.

Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories, based on the business model in which the assets are managed and their cash flow characteristics:

- (i) *Financial assets and liabilities at fair value through profit or loss*
This category includes financial assets and liabilities acquired principally for the purpose of selling or repurchasing in the short-term.

Financial instruments in this category are recognised on the trade settlement date, and subsequently, at fair value. Purchases and sales of securities are recognised on the trade date. Transaction costs are expensed in the consolidated profit and loss and other comprehensive income statement. Gains and losses arising from changes in fair value are presented in the consolidated profit and loss and other comprehensive income statement within "investment returns" for corporate assets and "net income attributable to policyholder returns" for policyholder assets in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realised or paid beyond twelve months of the balance sheet date, which are classified as long-term.

(ii) *Financial assets at amortised cost*

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This is comprised of accrued fees, trade and other receivables, loans, and cash and cash equivalents. These are included in current assets due to their short-term nature, except for loans which are included in non-current assets.

Assets held at amortised cost are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest method less any expected credit losses.

(iii) *Financial liabilities at amortised cost*

Financial liabilities at amortised cost comprise trade and other payables. These are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest method. They are classified as current liabilities due to their short-term nature.

Impairment of financial assets

Expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses from possible default events within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the expected credit losses decrease.

Provisions

Provisions are recognised when the Company has an obligation, legal or constructive, as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are estimated at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present values where the effect is material.

Trade and other payables

Other payables are short-term, not interest-bearing and are stated at their amortised cost which is not materially different to cost and approximates to fair value.

Share-based payments

Equity-settled share-based payment awards granted to employees are measured at fair value at the date of grant. The awards are recognised as an expense, with a corresponding increase in equity, spread over the vesting period of the awards, which accords with the period for which related services are provided.

The total amount expensed is determined by reference to the fair value of the awards as follows:

(i) *SIP shares*

The fair value is the market price on the grant date. There are no vesting conditions, as the employees receive the shares immediately upon grant.

(ii) *PSP share options*

The fair value of share options is determined by applying a valuation technique, usually an option pricing model, such as Black Scholes. This takes into account factors such as the exercise price, the share price, volatility, interest rates, and dividends.

At each reporting date, the estimate of the number of share options expected to vest based on the non-market vesting conditions is assessed. Any change to

original estimates is recognised in the statement of comprehensive income, with a corresponding adjustment to equity reserves.

2. Critical accounting estimates and judgements

Critical accounting estimates are those where there is a significant risk of material adjustment in the next 12 months, and critical judgements are those that have the most significant effect on amounts recognised in the accounts.

In preparing these Financial Statements, management has made judgements, estimates and assumptions about the future that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management uses its knowledge of current facts and applies estimation and assumption techniques that are aligned with relevant accounting policies to make predictions about the future. Actual results may differ from these estimates.

The area where judgements and estimates have the most significant effect in these financial statements is the tax provision for its subsidiary, ILUK.

In assessing whether to recognise a provision, the Group has evaluated the likelihood of a constructive or legal obligation, and whether that obligation can be estimated reliably.

The provision required has been calculated based on an estimation of tax payable to HMRC (through detailed calculations on the forecasted income and expenses for the financial year) and refunds payable back to policyholders. As explained in note 39, the balances relating to prior years have been restated due to an error attributable to changes in the treatment of tax reserves. Further details regarding the current year provision can be found in note 30.

3. Financial instruments

(i) Principal financial instruments

The principal financial instruments, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Accrued fees
- Cash and cash equivalents
- Investments in quoted debt instruments
- Listed shares and securities
- Trade and other payables
- Loans

(ii) Financial instruments by category

As explained in Note 1, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognised in the statement of profit or loss and other comprehensive income. The following tables show the carrying values of assets and liabilities for each of these categories for the Group:

Financial assets:

| | Fair value through profit or loss | | Amortised cost | |
|--|--------------------------------------|-------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash and cash equivalents | - | - | 1,539,843 | 1,342,619 |
| Listed shares and securities | 92 | 69 | - | - |
| Loans | - | - | 2,647 | 1,185 |
| Investments in quoted debt instruments | 4,959 | 4,997 | - | - |
| Accrued income | - | - | 10,244 | 9,768 |
| Trade and other receivables | - | - | 786 | 3,444 |
| Investments held for the policyholders | 16,727,208 | 15,454,769 | - | - |
| Total financial assets | 16,732,259 | 15,459,835 | 1,553,520 | 1,357,016 |

Financial liabilities:

| | Fair value through profit or loss | | Amortised cost | |
|--|--------------------------------------|-------|----------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |

| | | | | |
|--|-------------------|-------------------|---------------|---------------|
| Trade and other payables | - | - | 8,660 | 5,893 |
| Accruals | - | - | 7,792 | 6,908 |
| Lease liabilities | - | - | 6,087 | - |
| Liabilities for linked investments contracts | 18,112,935 | 16,665,048 | - | - |
| Total financial liabilities | 18,112,935 | 16,665,048 | 22,539 | 12,801 |

The following tables show the carrying values of assets and liabilities for each of these categories for the Company:

Financial assets:

| | Fair value through profit or loss | | Amortised cost | |
|-------------------------------|-----------------------------------|----------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash and cash equivalents | - | - | 26,090 | 24,342 |
| Loans | - | - | 2,647 | 1,185 |
| Total financial assets | - | - | 28,737 | 25,527 |

Financial liabilities:

| | Fair value through profit or loss | | Amortised cost | |
|------------------------------------|-----------------------------------|----------|----------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade and other payables | - | - | 56 | 49 |
| Accruals | - | - | 311 | 390 |
| Total financial liabilities | - | - | 367 | 439 |

(iii) *Financial instruments not measured at fair value*

Financial instruments not measured at fair value include cash and cash equivalents, accrued fees, loans, trade and other receivables, and trade and other payables. Due to their short-term nature and/or expected credit losses recognised, the carrying value of these financial instruments approximates their fair value.

(iv) *Financial instruments measured at fair value - fair value hierarchy*

The table below classifies financial assets that are recognised on the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels of hierarchy are disclosed on the next page.

Investments held for the benefit of policyholders are stated at fair value and reported on a separate line in the statement of financial position. The assets are classified using the 'fair value through profit or loss' option with any resultant gain or loss recognised through the statement of profit or loss and other comprehensive income.

Assets held at fair value also comprises investments held in gilts, and these are held at fair value through profit and loss.

The following table shows the three levels of the fair value hierarchy:

| Fair value hierarchy | Description of hierarchy | Types of investments classified at each level |
|----------------------|---|---|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets | Cash and cash equivalents, listed equity securities, gilts, actively traded pooled investments such as OEICS and unit trusts. |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset either directly (i.e. as prices) or indirectly (i.e. derived from prices) | Actively traded unlisted equity securities where there is no significant unobservable inputs, structured products and regularly priced but not actively traded instruments. |
| Level 3 | Inputs that are not based on observable market data (unobservable inputs). | Unlisted equity securities with significant unobservable inputs, inactive pooled investments. |

For the purposes of identifying level 3 assets, unobservable inputs means that fair values of the assets may be based on estimates and assumptions that can not be corroborated with observable market data.

The following table shows the Group's assets measured at fair value and split into the three levels:

| 2020 | Level 1 | Level 2 | Level 3 | Total |
|------|---------|---------|---------|-------|
|------|---------|---------|---------|-------|

| | £'000 | £'000 | £'000 | £'000 |
|---|-------------------|----------------|--------------|-------------------|
| Investments and assets held for the benefit of policyholders | | | | |
| Policyholder cash | 1,385,736 | - | - | 1,385,736 |
| Investments and securities | 506,286 | 154,810 | 751 | 661,847 |
| Bonds and other fixed-income securities | 12,404 | 1,891 | 15 | 14,310 |
| Holdings in collective investment schemes | 15,930,106 | 120,026 | 910 | 16,051,042 |
| | 17,834,532 | 276,727 | 1,676 | 18,112,935 |
| Other investments | 4,959 | - | - | 4,959 |
| Total | 17,839,491 | 276,727 | 1,676 | 18,117,894 |

| 2019 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|--------------------------|--------------------------|--------------------------|------------------------|
| Investments and assets held for the benefit of policyholders | | | | |
| Policyholder cash | 1,213,371 | - | - | 1,213,371 |
| Investments and securities | 444,076 | 140,991 | 2,447 | 587,514 |
| Bonds and other fixed-income securities | 4,485 | 9,320 | 3,005 | 16,810 |
| Holdings in collective investment schemes | 14,731,562 | 109,714 | 6,077 | 14,847,353 |
| | 16,393,494 | 260,025 | 11,529 | 16,665,048 |
| Other investments | 5,066 | - | - | 5,066 |
| Total | 16,398,560 | 260,025 | 11,529 | 16,670,114 |

Level 1 valuation methodology

Financial assets included in Level 1 are measured at fair value using quoted mid prices that are available at the reporting date and are traded in active markets. These financial assets are mainly collective investment schemes and listed equity instruments.

Level 2 and Level 3 valuation methodology

The Group regularly reviews whether a market is active, based on available market data and the specific circumstances of each market. Where the Group assesses that a market is not active, then it applies one or more valuation methodologies to the specific financial asset. These valuation methodologies use quoted market prices where available, and may in certain circumstances require the Group to exercise judgement to determine fair value.

Financial assets included in Level 2 are measured at fair value using observable mid prices traded in markets that have been assessed as not active enough to be included in Level 1.

Otherwise, financial assets are included in Level 3. These are assets where one or more inputs to the valuation methodology are not based on observable market data. The key unobservable input is the pre-tax operating margin needed to price asset holdings.

Level 3 sensitivity to changes in unobservable measurements

For financial assets assessed as Level 3, based on its review of the prices used, the Company believes that any change to the unobservable inputs used to measure fair value would not result in a significantly higher or lower fair value measurement at year end, and therefore would not have a material impact on its reported results.

Changes to valuation methodology

There have been no changes in valuation methodology during the year under review.

Transfers between Levels

The Company's policy is to assess each financial asset it holds at the current financial year end, based on the last known price and market information, and assign it to a Level.

The Company recognises transfers between Levels of the fair value hierarchy at the end of the reporting period in which the changes have occurred. Changes occur due to the availability of (or lack thereof) quoted prices, whether a market is now active or not, and whether there are indications of impairment.

Transfers between Levels between 30 September 2020 and 30 September 2019 are presented in the table below at their valuation at 30 September 2020:

| Transfers from | Transfers to | £'000 |
|-----------------------|---------------------|--------------|
| Level 1 | Level 2 | 3,493 |
| Level 2 | Level 1 | 7,834 |

The reconciliation between opening and closing balances of Level 3 assets are presented in the table below:

| | |
|--|---------------|
| | £'000 |
| Opening balance | 11,529 |
| Unrealised gains or losses in the year ended 30 September 2020 | (57) |
| Transfers in to Level 3 at 30 September 2020 valuation | 224 |
| Transfers out of Level 3 at 30 September 2020 valuation | (8,280) |
| Purchases, sales, issues and settlement | (1,740) |
| Closing balance | 1,676 |

Any resultant gains or losses on financial assets held for the benefit of policyholders are offset by a reciprocal movement in the linked liability.

The group regularly assesses assets to ensure they are categorised correctly and FVH levels adjusted accordingly. The group monitors situations that may impact liquidity such as suspensions and liquidations while also actively collecting observable market prices from relevant exchanges and asset managers. Should an asset price become observable following the resumption of trading the FVH level will be updated to reflect this.

(v) *Capital maintenance*

The regulated companies in IntegraFin Group are subject to capital requirements imposed by the relevant regulators. As detailed in the CFOR, Group capital requirements for 2020 were £212.9 million (2019: £216.3 million).

The Group has complied with the requirements set by the regulators during the year. The Group's policy for managing capital is to ensure each regulated entity maintains capital well above the minimum requirement.

4. Risk and risk management

Risk assessment

Risk assessment is the determination of quantitative values and/or qualitative judgements of risk related to a concrete situation and a recognised threat. Quantitative risk assessment requires calculations of two components of risk, the magnitude of the potential impact, and the likelihood that the risk materialises. Qualitative aspects of risk, despite being more difficult to express quantitatively, are also taken into account in order to fully evaluate the impact of the risk on the organisation.

(1) Market risk

Description of risk

Market risk is the risk of loss arising either directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and other financial instruments.

(a) Price risk

Market price risk from reduced income

The Company's dividend income from its regulated subsidiary IFAL is exposed to market risk. The Group's main source of income is derived from annual management fees and transaction fees which are linked to the value of the clients' portfolios, which are determined by the market prices of the underlying assets. The Group's revenue is therefore affected by the value of assets on the platform, and consequently it has exposure to equity market levels and economic conditions.

The Group mitigates the second order market price risk by applying fixed charges per tax wrapper in addition to income derived from the charges based on clients' linked portfolio values. This approach of fixed and variable charging offers an element of diversification to its income stream. The risk of stock market volatility, and the impact on revenue, is also mitigated through a wide asset offering which ensures the Group is not wholly correlated with one market, and which enables clients to switch assets, including into cash on the platform, in times of uncertainty.

Sensitivity testing has been performed to assess the impact of market movements on the Group's Profit for the year. The sensitivity is applied as an instantaneous shock at the start of the year, and shows the impact of a 10% change in values across all assets held on the platform.

| | Impact on profit for the year | |
|------------------------------|--------------------------------------|--------------|
| | 2020 | 2019 |
| | £'000 | £'000 |
| 10% increase in asset values | 6,931 | 6,145 |
| 10% decrease in asset values | (6,931) | (6,145) |

Market risk from direct asset holdings

The Group and the company have limited exposure to primary market risk as capital is invested in high quality, highly liquid, short-dated investments.

(b) Interest rate risk

The Group and the company's balance sheet and capital requirements are relatively insensitive to first order impacts from movements in interest rates.

(c) Currency risk

The company is not directly exposed to significant currency risk. The table below shows a breakdown of the material foreign currency exposures for the unit-linked policies within the Group:

| Currency | 2020 £'000 | 2020 % | 2019 £'000 | 2019 % |
|--------------|-------------------|--------------|-------------------|--------------|
| GBP | 17,983,651 | 99.3 | 16,564,270 | 99.4 |
| USD | 106,532 | 0.6 | 79,716 | 0.5 |
| EUR | 13,862 | 0.1 | 14,263 | 0.1 |
| Others | 8,890 | 0.0 | 6,799 | 0.0 |
| Total | 18,112,935 | 100.0 | 16,665,048 | 100.0 |

99.3% of investments and cash held for the benefit of policyholders are denominated in GBP, its base currency. Remaining currency holdings greater than 0.1% of the total are shown separately in the table. A significant rise or fall in sterling exchange rates would not have a significant first order impact on its results since any adverse or favorable movement in policyholder assets is entirely offset by a corresponding movement in the linked liability.

(2) Credit (counterparty default) risk

Credit risk is the risk that the Group or company is exposed to a loss if another party fails to meet its financial obligations. For the company, the exposure to counterparty default risk arises primarily from loans directly held by the company.

Assets held at amortised cost

(a) Accrued income

This comprises fees owed by clients. These are held at amortised cost, less expected credit losses ("ECLs").

Under IFRS 9, a forward-looking approach is required to assess ECLs, so that losses are recognised before the occurrence of any credit event. The Group estimates that pending fees three months or more past due are unlikely to be collected and are written off. Based on management's experience, pending fees one or two months past due are generally expected to be collected. However, consideration is also given to potential losses on these fees. Historical loss rates have been used to estimate expected future losses, while consideration is also given to underlying economic conditions, in order to ensure that expected losses are recognised on a forward-looking basis. This has led to the additional recognition of an immaterial amount of ECLs.

Details of the ECLs recognised in relation to accrued income can be seen in note 23.

(b) Loans

Loans subject to the 12 month ECL are £2.7m (2019: £1.2m). While there is increased economic uncertainty in the current climate, leading to potentially higher credit risk, there is not considered to be a significant increase in credit risk, as all of the loans are currently performing to schedule, and there are no concerns regarding the borrowers. There is therefore no need to move from the 12 month ECL model to the lifetime ECL model. Expected losses are recognised on a forward-looking basis, which has led to the additional recognition of an immaterial amount of ECLs.

Details of the ECLs recognised in relation to loans can be seen in note 18.

(c) Cash and equivalents

The Group has a low risk appetite for credit risk, which is limited to exposures to credit institutions for its bank deposits. A range of major regulated UK high street banks is used. A rigorous annual due diligence exercise is undertaken to assess the financial strength of these banks with those used having a minimum credit rating of A (Fitch). In order to actively manage the credit and concentration risks, the Board has agreed risk appetite limits for the regulated entities of the amount of corporate and client funds that may be deposited with any one bank; which is represented by a set percentage of the respective bank's total customer deposits. Monthly monitoring of these positions along with movements in Fitch ratings is undertaken, with reports presented to the Directors for review. Collectively these measures ensure that the Group diligently manages the exposures and provide the mitigation scope to be able to manage credit and concentration exposures on behalf of itself and its customers

Counterparty default risk exposure to loans

The Company has loans of £2,647k (2019: £1,185k). There are no other loans held by the Group.

Counterparty default risk exposure to Group companies

As well as inconvenience and operational issues arising from the failure of the other Group companies, there is also a risk of a loss of assets. The Company is due £342k (2019: £86k) from other Group companies.

Counterparty default risk exposure to other receivables

The company has no other receivables arising, due to the nature of its business, and the structure of the Group.

Across the Group, there is exposure to counterparty default risk arising primarily from:

- corporate assets directly held by the Group;
- exposure to clients; and
- exposure to other receivables.

The other exposures to counterparty default risk include a credit default event which affects funds held on behalf of clients and occurs at one or more of the following entities:

- a bank where cash is held on behalf of clients;
- a custodian where the assets are held on behalf of clients; and
- Transact Nominees Limited (TNL), which is the legal owner of the assets held on behalf of clients.

There is no first order impact on the Group from one of the events in the preceding paragraph. This is because any credit default event in respect of these holdings will be borne by clients, both in terms of loss of value and loss of liquidity. Terms and conditions have been reviewed by external lawyers to ensure that these have been drafted appropriately.

However, there is a second order impact where future profits for the Group are reduced in the event of a credit default which affects funds held on behalf of clients.

There are robust controls in place to mitigate credit risk, for example, holding corporate and client cash across a range of banks in order to minimise the risk of a single point of counterparty default failure. Additionally, maximum counterparty limits and minimum credit quality steps are set for banks.

Corporate assets and funds held on behalf of clients

There is no significant risk exposure to any one UK clearing bank.

Counterparty default risk exposure to clients

The Group is due £10.2m (2019: £9.8m) from fee income owed by clients.

Impact of credit risk on fair value

Due to the limited direct exposure that the Group and the company have to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are predominantly due to changes in market conditions.

(3) Liquidity risk

Liquidity risk is the risk that funds are not accessible such that the company, although solvent, does not have sufficient liquid financial resources to meet obligations as they fall due, or can secure such resources only at excessive cost.

As a holding company, the company's main liquidity risk is related to paying out shareholder dividends and operating expenses it may incur. Additionally, the company has made short term commitments, in the form of a capped facility arrangement, to Vertus Capital SPV1 Limited ('Vertus') (as one of Vertus' sources of funding) to assist Vertus in developing its business, which is to provide tailored niche debt facilities to adviser firms to fund acquisitions, management buy-outs and other similar transactions.

Across the Group, the following key drivers of liquidity risk have been identified:

- liquidity risk arising due to failure of one or more of the Group's banks;
- liquidity risk arising due to the bank's system failure which prevents access to Group funds; and
- liquidity risk arising from clients holding insufficient cash to settle fees when they become due.

The Group's liquidity risk arises from a lack of readily realisable cash to meet debts as they become due. This takes two forms - clients' liabilities coming due and other liabilities (e.g. expenses) coming due.

The first of these, clients' liabilities is primarily covered through the terms and conditions with clients' taking their own liquidity risk, if their funds cannot be immediately surrendered for cash.

Payment of other liabilities depends on the Group having sufficient liquidity at all times to meet obligations as they fall due. This requires access to liquid funds, i.e. working banks

and it also requires that the Group's main source of liquidity, charges on its clients' assets, can also be converted into cash.

The company has set out two key liquidity requirements: first, to ensure that clients maintain a percentage of liquidity in their funds at all times, and second, to maintain access to cash through a spread of cash holdings in bank accounts.

There are robust controls in place to mitigate liquidity risk, for example, through regular monitoring of expenditure, closely managing expenses in line with the business plan, and, in the case of the Vertus facility, capping the value of loans. Additionally, the Group holds corporate and client cash across a range of banks in order to mitigate the risk of a single point of counterparty default failure.

Maturity schedule

The following table shows an analysis of the financial assets and financial liabilities by remaining expected maturities as at 30 September 2019 and 30 September 2020.

Financial assets:

| 2019 | Up to 3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | Over 5 years £'000 | Total £'000 |
|--|-------------------------------------|----------------------------------|--------------------------------|-----------------------------------|------------------------|
| Investments held for the policyholders | 15,454,769 | - | - | - | 15,454,769 |
| Investments | 69 | - | 4,997 | - | 5,066 |
| Accrued income | 9,768 | - | - | - | 9,768 |
| Trade and other receivables | 3,250 | 188 | 7 | - | 3,445 |
| Loans | - | - | 1,185 | - | 1,185 |
| Cash | 1,342,619 | - | - | - | 1,342,619 |
| Total | 16,810,475 | 188 | 6,189 | - | 16,816,852 |

| 2020 | Up to 3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | Over 5 years £'000 | Total £'000 |
|--|-------------------------------------|----------------------------------|--------------------------------|-----------------------------------|------------------------|
| Investments held for the policyholders | 16,727,208 | - | - | - | 16,727,208 |
| Investments | 92 | - | 4,959 | - | 5,051 |
| Accrued income | 10,244 | - | - | - | 10,244 |
| Trade and other receivables | 614 | 165 | 7 | - | 786 |
| Loans | - | - | 2,647 | - | 2,647 |
| Cash | 1,539,843 | - | - | - | 1,539,843 |
| Total | 18,278,001 | 165 | 7,613 | - | 18,285,779 |

Financial liabilities:

| 2019 | Up to 3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | Over 5 years £'000 | Total £'000 |
|---|---------------------------------|----------------------------------|--------------------------------|-----------------------------------|------------------------|
| Liabilities for linked investment contracts | 16,665,048 | - | - | - | 16,665,048 |
| Trade and other payables | 9,391 | 3,407 | - | - | 12,798 |
| Total | 16,674,439 | 3,407 | - | - | 16,677,846 |

| 2020 | Up to 3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | Over 5 years £'000 | Total £'000 |
|---|---------------------------------|----------------------------------|--------------------------------|-----------------------------------|------------------------|
| Liabilities for linked investment contracts | 18,112,935 | - | - | - | 18,112,935 |
| Trade and other payables | 16,257 | 195 | - | - | 16,452 |
| Lease liabilities | 614 | 1,761 | 3,712 | - | 6,087 |
| Total | 18,129,806 | 1,956 | 3,712 | - | 18,135,473 |

Financial assets held in portfolio investments and the corresponding liabilities are deemed to have a maturity of up to three months since the liabilities are repayable on demand. In practice the contractual maturities of the underlying assets may be longer than three months, but the majority of assets held within portfolios are highly liquid.

Undiscounted cash flows

| 2020 | Up to 3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | Over 5 years £'000 | Total £'000 | Carrying amount £'000 |
|-------------------|-------------------------------------|----------------------------------|--------------------------------|-----------------------------------|------------------------|--------------------------------------|
| Lease liabilities | 689 | 1,936 | 3,883 | - | 6,508 | |

| | | | | | | |
|--------------|------------|--------------|--------------|----------|--------------|--------------|
| | | | | | | 6,087 |
| Total | 689 | 1,936 | 3,883 | - | 6,508 | 6,087 |

The undiscounted cash flows are in relation to the lease liabilities and are presented at their gross undiscounted contractual amounts i.e. the principle amounts to be paid for the periods stated.

There is no comparative for the 2019 financial year as the Group did not have any lease liabilities.

(4) Outflow risk

Outflows occur when funds are withdrawn from the platform for any reason. Outflows typically occur where clients' circumstances and requirements change. However, these outflows can also be triggered by operational failure, competitor actions or external events such as regulatory or economic changes.

Outflow risk is mitigated by focusing on providing exceptionally high levels of service. Outflow rates are closely monitored and unexpected experience is investigated. Despite the current challenging and uncertain economic and geopolitical environment, outflow rates remain stable and within historical norms.

(5) Expense risk

Expense risk arises where costs increase faster than expected or from one-off expense "shocks".

The Group and the Company has exposure related to expense inflation risk, where actual inflation deviates from expectations. As a significant percentage of the Group's expenses are staff related the key inflationary risk arises from salary inflation. The Group and the Company have no exposures to defined benefit staff pension schemes or client related index linked liabilities.

The Group's expenses are governed at a high level by the Group's Expense Policy. The monthly management accounts are reviewed against projected future expenses by the Board and by senior management and action is taken where appropriate.

5. Disaggregation of revenue

| | For the financial year ended 30 September | |
|--------------------------|--|---------------|
| | 2020 | 2019 |
| | £'000 | £'000 |
| Annual commission income | 94,468 | 86,715 |
| Wrapper fee income | 9,743 | 8,961 |
| Other income | 3,109 | 3,489 |
| Total fee income | 107,320 | 99,165 |

Total fee income relates to both classes of business (see note 6 for details).

6. Segmental reporting

The revenue and profit before tax are attributable to activities carried out in the UK.

The Group has two classes of business as follows:

- provision of investment administration services
- transaction of ordinary long term insurance and underwriting life assurance

Analysis by class of business is given below.

Statement of profit or loss on continuing operations - segmental information for the year ended 30 September 2020:

| | Investment administration services £'000 | Insurance and life assurance business £'000 | Other income £'000 | Consolidated adjustments £'000 | Total £'000 |
|--|---|--|--------------------------|--------------------------------------|----------------|
| Revenue | | | | | |
| Fee income | 55,923 | 51,355 | 42 | - | 107,320 |
| Cost of sales | (543) | (323) | - | - | (865) |
| Expenses | | | | | |
| Admin expenses | (61,170) | (56,831) | - | 65,914 | (52,087) |
| Impairment losses | (109) | (67) | - | - | (176) |
| Net income attributable to policyholders | - | (1,995) | - | - | (1,995) |
| Change in investment contract liabilities | - | 82,895 | - | - | 82,895 |
| Fee and commission expenses | - | (137,536) | - | - | (137,536) |
| Investment returns | - | 54,677 | - | - | 54,677 |

| | | | | | |
|--------------------------------------|---------------|---------------|----------|-----------------|---------------|
| Interest expense | (120) | (113) | - | - | (233) |
| Interest income | 121 | 135 | - | - | 256 |
| Profit before tax | 41,402 | 43,180 | - | (32,326) | 52,256 |
| Policyholder tax | - | 3,066 | - | - | 3,066 |
| Tax on profit on ordinary activities | (4,641) | (5,197) | - | - | (9,838) |
| Profit for the financial year | 36,761 | 41,048 | - | (32,326) | 45,484 |

Statement of profit or loss on continuing operations - segmental information for the year ended 30 September 2019:

| | Investment administration services £'000 | Insurance and life assurance business £'000 | Other income £'000 | Consolidated adjustments £'000 | Total £'000 |
|---|---|---|--------------------------|--------------------------------------|----------------|
| Revenue | | | | | |
| Fee income | 52,045 | 47,120 | - | - | 99,165 |
| Cost of sales | (495) | (312) | - | - | (806) |
| Expenses | | | | | |
| Admin expenses | (58,722) | (54,356) | - | 63,353 | (49,726) |
| Impairment losses | (3) | (17) | - | - | (20) |
| Net income attributable to policyholders | - | 8,068 | - | - | 8,068 |
| Change in investment contract liabilities | - | (554,767) | - | - | (554,767) |
| Fee and commission expenses | - | (125,618) | - | - | (125,618) |
| Investment returns | - | 680,422 | - | - | 680,422 |
| Interest expense | - | - | - | - | - |
| Interest income | 146 | 162 | - | - | 308 |
| Profit before tax | 38,198 | 48,946 | - | (30,118) | 57,026 |
| Policyholder tax | - | (6,969) | - | - | (6,969) |
| Tax on profit on ordinary activities | (4,230) | (4,720) | - | - | (8,950) |
| Profit for the financial year | 33,969 | 37,256 | - | (30,118) | 41,107 |

The figures above comprise the results of the companies that fall directly into each segment, as well as a proportion of the results from the other Group companies that only provide services to the revenue-generating companies. This therefore has no effect on revenue, but has an effect on the profit before tax.

Disaggregation of revenue by segment - For the financial year ended 30 September 2020

| | Investment administration services £'000 | Insurance and life assurance business £'000 | Other £'000 | Total £'000 |
|--------------------------|---|--|----------------|----------------|
| Annual commission income | 51,873 | 42,595 | - | 94,468 |
| Wrapper fee income | 2,337 | 7,406 | - | 9,743 |
| Other income | 1,713 | 1,354 | 42 | 3,109 |
| Total fee income | 55,923 | 51,355 | 42 | 107,320 |

Disaggregation of revenue by segment - For the financial year ended 30 September 2019

| | Investment administration services £'000 | Insurance and life assurance business £'000 | Total £'000 |
|--------------------------|---|--|----------------|
| Annual commission income | 48,013 | 38,702 | 86,715 |
| Wrapper fee income | 2,137 | 6,825 | 8,961 |
| Other income | 1,895 | 1,593 | 3,489 |
| Total fee income | 52,045 | 47,120 | 99,165 |

Statement of financial position - segmental information for the years ended 30 September 2020 and 30 September 2019:

| | 2020 | 2019 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Net assets | | |
| Investment administration services | 68,434 | 61,009 |
| Insurance and life assurance business | 72,486 | 60,877 |
| | 140,920 | 121,886 |
| Segmental information: Split by geographical location | | |
| | 2020 | 2019 |
| | £'000 | £'000 |
| Revenue | | |
| United Kingdom | 103,089 | 95,192 |
| Isle of Man | 4,231 | 3,974 |
| Total | 107,320 | 99,165 |
| | | |
| | 2020 | 2019 |
| | £'000 | £'000 |
| Non-current assets | | |
| United Kingdom | 19,128 | 15,310 |
| Isle of Man | 97 | 46 |
| Total | 19,225 | 15,356 |

The non-current assets excludes the deferred acquisition costs and deferred tax assets.

7. Earnings per share

| | 2020 | 2019 |
|---|---------------|-------------------|
| | | (restated) |
| Profit | | |
| Profit for the year and earnings used in basic and diluted earnings per share | £45.5m | £41.1m |
| Weighted average number of shares | | |
| Weighted average number of Ordinary shares | 331.3m | 331.3m |
| Weighted average numbers of Ordinary Shares held by Employee Benefit Trust | (0.1m) | - |
| Weighted average number of Ordinary Shares for the purposes of basic EPS | 331.2m | 331.3m |
| Adjustment for dilutive share option awards | 0.1m | - |
| Weighted average number of Ordinary Shares for the purposes of diluted EPS | 331.3m | 331.3m |

Earnings per share

| | | |
|--|-------|-------|
| Basic earnings per share | 13.7p | 12.4p |
| Earnings per share - basic and diluted | 13.7p | 12.4p |

Earnings per share ("EPS") is calculated based on the share capital of IntegraFin Holdings plc and the earnings of the consolidated Group.

Basic EPS is calculated by dividing profit after tax attributable to ordinary equity shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the year. The weighted average number of shares excludes shares held within the Employee Benefit Trust to satisfy the Group's obligations under employee share awards.

Diluted EPS is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all potentially dilutive Ordinary Shares.

As noted in note 39, the 2019 EPS was restated due to the identification of an error in the calculation of the policyholder tax provision.

8. Expenses by nature

The following expenses are included within administrative expenses:

| Group | 2020 | 2019 |
|--------------|--------------|-------------------|
| | | (restated) |
| | £'000 | £'000 |
| Depreciation | 2,561 | 654 |
| Amortisation | - | 15 |

| | | |
|---|---------------|---------------|
| Wages and employee benefits expense | 36,732 | 36,093 |
| Other staff costs | 200 | 241 |
| Auditor's remuneration: | | |
| - Auditing of the Financial Statements of the Company pursuant to the legislation | 78 | 70 |
| - auditing of the Financial Statements of subsidiaries | 99 | 91 |
| - other assurance services | 118 | 100 |
| Other Auditor's remuneration: | | |
| - auditing of the Financial Statements of subsidiaries | 154 | 115 |
| - other assurance services | 97 | 147 |
| Other professional fees | 2,808 | 2,314 |
| Regulatory fees | 3,643 | 2,689 |
| Operating lease costs: | | |
| - Land and buildings | 4 | 1,822 |
| - Equipment | 3 | 3 |
| Other occupancy costs | 2,001 | 1,817 |
| Other costs | 3,589 | 3,555 |
| Other income - tax relief due to shareholders | (1,071) | (953) |
| Total administrative expenses | 51,016 | 48,773 |

"Other income - tax relief due to shareholders" relates to the release of policyholder tax provisions to the statement of profit or loss and other comprehensive income. Details of the 2019 restatement can be found in note 39.

Company

| | 2020 | 2019 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Wages and employee benefits expense | 475 | 514 |
| Other staff costs | 24 | 59 |
| Auditor's remuneration: | | |
| - Auditing of the Financial Statements of the Company pursuant to the legislation | 78 | 70 |
| - other assurance services | 18 | 17 |
| Other professional fees | 422 | 314 |
| Regulatory fees | 30 | 16 |
| Other costs | 161 | 106 |
| Total administrative expenses | 1,208 | 1,096 |

Wages and employee benefits expense

The average number of staff (including executive Directors) employed by the Group during the financial year amounted to:

| | 2020 | 2019 |
|--|-------------|-------------|
| | No. | No. |
| CEO | 1 | 1 |
| Client services staff | 213 | 230 |
| Finance staff | 60 | 57 |
| Legal and compliance staff | 31 | 30 |
| Sales, marketing and product development staff | 40 | 43 |
| Software development staff | 104 | 96 |
| Technical and support staff | 45 | 52 |
| | 494 | 509 |

The Company has no employees (2019: nil).

Wages and employee (including executive Directors) benefits expenses during the year, included within administrative expenses, were as follows:

| | 2020 | 2019 |
|---------------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 29,307 | 28,987 |
| Social security costs | 3,085 | 3,203 |
| Other pension costs | 2,714 | 2,657 |
| Share-based payment costs | 1,626 | 1,246 |
| | 36,732 | 36,093 |

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity and as such,

only Directors are considered to meet this definition.

| | 2020 | 2019 |
|-------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Short term employee benefits* | 2,622 | 2,331 |
| Post employment benefits | 40 | 47 |
| Share based payment | 522 | 192 |
| Other benefits | 33 | 4 |
| Social security costs | 211 | 322 |
| | 3,428 | 2,896 |

Highest paid Director:

| | | |
|---|-----|-----|
| Short term employee benefits* | 491 | 564 |
| Other benefits | 140 | 86 |
| Post employment benefits | 7 | 5 |
| Number of Directors for whom pension contributions are paid | 2 | 5 |

*Short term employee benefits comprise salary and cash bonus.

9. Interest income

| | Group | Company | Group | Company |
|----------------------------------|--------------|----------------|--------------|----------------|
| | 2020 | 2020 | 2019 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Interest income on bank deposits | 194 | 29 | 272 | 30 |
| Interest income on loans | 62 | 62 | 36 | 36 |
| | 256 | 91 | 308 | 66 |

10. Investment returns

| | 2020 | 2019 |
|--|---------------|----------------|
| | £'000 | £'000 |
| Interest on fixed-interest securities | 80 | 95 |
| Realised losses on fixed-interest securities | - | (34) |
| Unrealised losses on fixed-interest securities | (44) | (24) |
| Change in fair value of underlying assets | (73,093) | 546,149 |
| Investment income | 127,734 | 134,236 |
| Total investment returns | 54,677 | 680,422 |

11. Tax on profit on ordinary activities

Group

a) Analysis of charge in year

The income tax expense comprises:

| | 2020 | 2019 |
|--|---------------|-------------------|
| | £'000 | £'000 |
| | | (restated) |
| Corporation tax | | |
| Current year - corporation tax | 9,879 | 8,994 |
| Adjustment in respect of prior years | 125 | 7 |
| | 10,004 | 9,001 |
| Deferred tax | | |
| Current year | (38) | 29 |
| Adjustment in respect of prior years | (113) | (95) |
| Change in deferred tax charge/(credit) as a result of lowered tax rate | (15) | 15 |
| Total tax charge for the year | 9,838 | 8,950 |

b) Factors affecting tax charge for the year

The tax on the Group's profit before tax differs from the amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | 2020 | 2019 |
|--|--------------|-------------------|
| | £'000 | £'000 |
| | | (restated) |
| Profit on ordinary activities before tax | 52,256 | 57,026 |
| Policyholder tax | 3,066 | (6,969) |

| | | |
|---|--------------|--------------|
| Effect of gross overseas withholding tax | - | - |
| | 55,322 | 50,057 |
| Profit on ordinary activities multiplied by effective rate of Corporation Tax 19% (2019: 19%) | 10,511 | 9,511 |
| Effects of: | | |
| Non-taxable dividends | (187) | (141) |
| Income / expenses not taxable / deductible for tax purposes multiplied by effective rate of corporation tax | (17) | 12 |
| Adjustments in respect of prior years | (356) | (459) |
| Effect of lower tax rate | (15) | 15 |
| Rate differences | 30 | 12 |
| Other adjustments | (128) | - |
| | 9,838 | 8,950 |

Company

a) Analysis of charge in year

| | 2020 | 2019 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Deferred tax charge/(credit) (see note 28) | - | - |
| Total | - | - |

b) Factors affecting tax charge for the year

| | 2020 | 2019 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Profit on ordinary activities before tax | 31,124 | 29,064 |
| Profit on ordinary activities multiplied by effective rate of Corporation Tax 19% (2019: 19%) | 5,914 | 5,522 |
| Effects of: | | |
| Non-taxable dividends | (6,142) | (5,722) |
| Income / expenses not taxable / deductible for tax purposes multiplied by effective rate of Corporation Tax | 9 | 19 |
| Group loss relief to ISL | 219 | 181 |
| | - | - |

12. Policyholder income and expenses - Group

| | 2020 | 2019 |
|---|--------------|-------------------|
| | £'000 | £'000 |
| | | (restated) |
| Net income attributable to policyholder returns | (3,066) | 7,115 |
| Policyholder tax | 3,066 | (6,969) |

This relates to income and expenses, and the associated tax charges, on policyholder assets and liabilities.

13. Intangible assets - Group

| | Software and IP rights | Goodwill | Total |
|-----------------------|-------------------------------|-----------------|---------------|
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1 October 2019 | 12,505 | 12,951 | 25,456 |
| At 30 September 2020 | 12,505 | 12,951 | 25,456 |
| Amortisation | | | |
| At 1 October 2019 | 12,505 | - | 12,505 |
| Charge for the year | - | - | - |
| At 30 September 2020 | 12,505 | - | 12,505 |
| Net Book Value | | | |
| At 30 September 2019 | - | 12,951 | 12,951 |
| At 30 September 2020 | - | 12,951 | 12,951 |
| Cost | £'000 | £'000 | £'000 |
| At 1 October 2018 | 12,505 | 12,951 | 25,456 |
| At 30 September 2019 | 12,505 | 12,951 | 25,456 |

Amortisation

| | | | |
|----------------------|---------------|---|---------------|
| At 1 October 2018 | 12,490 | - | 12,490 |
| Charge for the year | 15 | - | 15 |
| At 30 September 2019 | 12,505 | - | 12,505 |

Net Book Value

| | | | |
|----------------------|----|--------|--------|
| At 30 September 2018 | 15 | 12,951 | 12,966 |
| At 30 September 2019 | - | 12,951 | 12,951 |

Amortisation of the software and IP rights is recognised within administrative expenses in the statement of profit or loss and comprehensive income.

Goodwill impairment assessment

In accordance with IFRS, the goodwill is not amortised, but is assessed for impairment on an annual basis. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The goodwill relates to the acquisition of IAD Pty in July 2016. The carrying amount of goodwill is allocated to the two cash generating units ("CGUs") that are benefitting from the acquisition as follows:

| | 2020 | 2019 |
|---------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Investment administration services | 7,256 | 7,313 |
| Insurance and life assurance business | 5,695 | 5,638 |
| Total | 12,951 | 12,951 |

Other assumptions are as follows:

| | 2020 | 2019 |
|--|-------------|-------------|
| Discount rate | 8.8% | 4.6% |
| Period on which detailed forecasts are based | 5 years | 5 years |
| Long term growth rate | 1.0% | - |

The recoverable amounts of the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 30 September 2025. Post the five year business plan, the growth rate used to determine the terminal value of the cash generating units was based on a long term growth rate of 1.0%.

Based on management's experience, the key assumptions on which management has calculated its projections are net inflows, market growth and expense inflation.

The annual impairment test showed that there was significant headroom in the recoverable amount over the carrying value of the CGUs. There is therefore no indication of impairment.

A sensitivity analysis has been performed, which showed that there were no reasonable foreseeable changes in the assumptions which would result in the recoverable amount falling below the carrying amount.

14. Property, plant and equipment - Group

| Cost | Leasehold improvements | Equipment | Fixtures and fittings | Motor Vehicles | Total |
|----------------------|-------------------------------|------------------|------------------------------|-----------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 October 2019 | 1,728 | 2,607 | 186 | 111 | 4,632 |
| Additions | - | 852 | - | - | 852 |
| Disposals | - | (152) | - | (9) | (161) |
| Foreign exchange | 4 | 7 | - | 1 | 12 |
| At 30 September 2020 | 1,732 | 3,314 | 186 | 103 | 5,335 |

Depreciation

| | | | | | |
|----------------------|--------------|--------------|------------|-----------|--------------|
| At 1 October 2019 | 1,008 | 1,020 | 127 | 72 | 2,227 |
| Charge in the year | 148 | 758 | 18 | 22 | 946 |
| Disposals | - | (149) | - | (9) | (158) |
| Foreign exchange | 1 | 5 | - | 1 | 7 |
| At 30 September 2020 | 1,157 | 1,634 | 145 | 86 | 3,022 |

Net Book Value

| | | | | | |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| At 30 September 2019 | 720 | 1,587 | 59 | 39 | 2,405 |
| At 30 September 2020 | 575 | 1,680 | 41 | 17 | 2,313 |
| Cost | £'000 | £'000 | £'000 | £'000 | £'000 |

| | | | | | |
|----------------------|--------------|--------------|------------|------------|--------------|
| At 1 October 2018 | 1,731 | 2,461 | 208 | 120 | 4,520 |
| Additions | - | 1,228 | - | 38 | 1,266 |
| Disposals | - | (1,077) | (22) | (46) | (1,145) |
| Foreign exchange | (3) | (5) | - | (1) | (9) |
| At 30 September 2019 | 1,728 | 2,607 | 186 | 111 | 4,632 |

Depreciation

| | | | | | |
|----------------------|--------------|--------------|------------|-----------|--------------|
| At 1 October 2018 | 842 | 1,705 | 130 | 30 | 2,707 |
| Charge in the year | 167 | 395 | 19 | 73 | 654 |
| Disposals | - | (1,077) | (22) | (31) | (1,130) |
| Foreign exchange | (1) | (3) | - | - | (4) |
| At 30 September 2019 | 1,008 | 1,020 | 127 | 72 | 2,227 |

Net Book Value

| | | | | | |
|----------------------|-----|-------|----|----|-------|
| At 30 September 2018 | 889 | 756 | 78 | 93 | 1,813 |
| At 30 September 2019 | 720 | 1,587 | 59 | 39 | 2,405 |

The Company holds no property, plant and equipment.

| | |
|-----------------------------------|---------------|
| | Total |
| | £'000 |
| At 1 October 2019 | 15,800 |
| Capital contributions in the year | 1,032 |
| At 30 September 2020 | 16,832 |

Net Book Value

| | |
|----------------------|--------|
| At 30 September 2019 | 15,800 |
| At 30 September 2020 | 16,832 |

| | |
|-----------------------------------|---------------|
| | Total |
| | £'000 |
| At 1 October 2018 | 14,563 |
| Capital contributions in the year | 1,237 |
| At 30 September 2019 | 15,800 |

Net Book Value

| | |
|----------------------|--------|
| At 30 September 2018 | 14,563 |
| At 30 September 2019 | 15,800 |

15. Right of use assets - Property - Group

| | |
|---|--------------|
| Cost | £'000 |
| Additions on adoption of IFRS 16 - 1 October 2019 | 5,581 |
| Australian dollar foreign exchange adjustment | 5 |
| At 30 September 2020 | 5,586 |

Depreciation

| | |
|-----------------------------|--------------|
| Charge in the year | 1,615 |
| Foreign exchange adjustment | 10 |
| At 30 September 2020 | 1,625 |

Net Book Value

| | |
|----------------------|-------|
| At 30 September 2019 | - |
| At 30 September 2020 | 3,961 |

Depreciation is calculated on a straight line basis over the term of the lease.

16. Investment in subsidiaries

Company

| Name of Company | Holding | % Held | Incorporation and significant place of business | Business |
|-----------------|---------|--------|---|----------|
|-----------------|---------|--------|---|----------|

Direct holdings

| | | | | |
|--|-----------------|------|----------------|--|
| Integrated Financial Arrangements Ltd | Ordinary Shares | 100% | United Kingdom | Investment Administration Services |
| IntegraFin Services Limited | Ordinary Shares | 100% | United Kingdom | Company Software provision & development |
| Transact IP Limited | Ordinary Shares | 100% | United Kingdom | Software maintenance |
| Integrated Application Development Pty Ltd | Ordinary Shares | 100% | Australia | |
| Objective Asset Management Limited | Ordinary Shares | 100% | United Kingdom | Dormant |

Indirect holdings

| | | | | |
|-------------------------------------|-----------------|------|----------------|----------------|
| IntegraFin Limited | Ordinary Shares | 100% | United Kingdom | Non-trading |
| Transact Nominees Limited | Ordinary Shares | 100% | United Kingdom | Non-trading |
| IntegraLife UK Limited | Ordinary Shares | 100% | United Kingdom | Life Insurance |
| IntegraLife International Limited | Ordinary Shares | 100% | Isle of Man | Life Assurance |
| ObjectMastery (UK) Limited | Ordinary Shares | 100% | United Kingdom | Consultancy |
| Objective Funds Limited | Ordinary Shares | 100% | United Kingdom | Dormant |
| Objective Wealth Management Limited | Ordinary Shares | 100% | United Kingdom | Dormant |
| IntegraFin (Australia) Pty Limited | Ordinary Shares | 100% | Australia | Non-trading |
| Transact Trustees Limited | Ordinary Shares | 100% | United Kingdom | Non-trading |

The Group has 100% voting rights on shares held in each of the subsidiary undertakings.

All the UK subsidiaries have their registered office address at 29 Clement's Lane, London, EC4N 7AE. ILInt's registered office address is at 18-20 North Quay, Douglas, Isle of Man, IM1 4LE. IntegraFin (Australia) Pty's registered office address is at Level 4, 854 Glenferrie Road, Hawthorn, Victoria, Australia 3122. Integrated Application Development Pty Ltd's registered office address is 19-25 Camberwell Road, Melbourne, Australia.

The above subsidiaries have all been included in the consolidated Financial Statements. The results of ILInt and ILUK are included as described in the basis of consolidation accounting policy in note 1.

Integrated Financial Arrangements Ltd is authorised and regulated by the Financial Conduct Authority. The principal activity of the Company and its subsidiaries is the provision of 'Transact', a wrap service that arranges and executes transactions between clients, their financial advisers and financial product providers including investment managers and stockbrokers.

IntegraFin Services Limited (ISL), is the Group services company. All intra-group service contracts are held by this services company.

Integrated Application Development Pty Ltd (IAD Pty) provides software maintenance services to the Group.

IntegraFin Limited is the trustee of the IntegraSIP Share Incentive Plan, which was set up to allocate Class C Shares in the capital of the Company to staff. IntegraFin Limited undertakes no other activities.

Transact Nominees Limited holds customer assets as a nominee company on behalf of Integrated Financial Arrangements Ltd.

IntegraFin (Australia) Pty Limited is currently non-trading.

Transact IP Limited licenses its proprietary software to other members of the IntegraFin Group.

IntegraLife UK Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Its principal activity is the transaction of ordinary long term insurance business within the United Kingdom.

IntegraLife International Limited is authorised and regulated by the Isle of Man Financial Services Authority and its principal activity is the transaction of ordinary long term insurance business within the United Kingdom through the Transact Offshore Bond.

17. Deferred acquisition costs

| | 2020 | 2019 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Opening balance | 50,443 | 46,073 |
| Capitalisation of deferred acquisition costs | 10,615 | 11,668 |
| Amortisation of deferred acquisition costs | (7,576) | (7,298) |
| Change in deferred acquisition costs | 3,039 | 4,370 |
| Closing balance | 53,482 | 50,443 |

18. Loans

This note analyses the loans and advances the Company has made. The carrying amounts of loans and advances are as follows:

| | 2020 | 2019 |
|------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Loans to third parties | 2,716 | 1,203 |
| Interest receivable on loans | 16 | 9 |
| Total gross loans | 2,732 | 1,209 |
| Credit loss allowance | (85) | (24) |
| Total net loans | 2,647 | 1,185 |

The loans are measured at amortised cost with the credit loss allowance charged straight to the profit or loss account. The total movement in the credit loss allowance can be seen in Note 23.

19. Investments held for the benefit of policyholders

| | 2020 Cost £'000 | 2020 Fair value £'000 | 2019 Cost £'000 | 2019 Fair value £'000 |
|---|-----------------------|-----------------------------|-----------------------|-----------------------------|
| ILInt | | | | |
| Investments held for the benefit of policyholders | 1,346,990 | 1,534,080 | 1,218,143 | 1,440,852 |
| | 1,346,990 | 1,534,080 | 1,218,143 | 1,440,852 |
| ILUK | | | | |
| Investments held for the benefit of policyholders | 13,482,294 | 15,193,128 | 11,994,153 | 14,013,917 |
| | 13,482,294 | 15,193,128 | 11,994,153 | 14,013,917 |
| Total | | 16,727,208 | | 15,454,769 |

All amounts are current as customers are able to make same-day withdrawal of available funds and transfers to third-party providers are generally performed within a month.

These assets are held to cover the liabilities for unit linked investment contracts. All contracts with customers are deemed to be investment contracts and, accordingly, assets are 100% matched to corresponding liabilities.

20. Liabilities for linked investment contracts

| | 2020 Fair value £'000 | 2019 Fair value £'000 |
|-------------------------|-----------------------------|-----------------------------|
| ILInt | | |
| Unit linked liabilities | 1,636,781 | 1,541,917 |
| | 1,636,781 | 1,541,917 |
| ILUK | | |
| Unit linked liabilities | 16,476,154 | 15,123,131 |
| | 16,476,154 | 15,123,131 |
| Total | 18,112,935 | 16,665,048 |

Analysis of change in liabilities for linked investment contracts

| | 2020 £'000 | 2019 £'000 |
|--|-------------------|-------------------|
| Opening balance | 16,665,048 | 14,489,933 |
| Investment inflows | 2,415,445 | 2,515,577 |
| Investment outflows | (834,454) | (850,772) |
| Compensation | 47 | 679 |
| Changes in fair value of underlying assets | (72,990) | 545,902 |
| Investment income | 127,734 | 134,236 |
| Other fees and charges - Transact | (50,360) | (44,888) |
| Other fees and charges - third parties | (137,535) | (125,619) |
| Closing balance | 18,112,935 | 16,665,048 |

The benefits offered under the unit-linked investment contracts are based on the risk appetite of policyholders and the return on their selected collective fund investments, whose underlying investments include equities, debt securities, property and derivatives. This investment mix is unique to individual policyholders. When the diversified portfolio of all policyholder investments is considered, there is a clear correlation with the FTSE 100 index and other major world indices, providing a meaningful comparison with the return on the investments.

The maturity value of these financial liabilities is determined by the fair value of the linked assets at maturity date. There will be no difference between the carrying amount and the maturity amount at maturity date.

21. Cash and cash equivalents

| | 2020 | 2019 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Bank balances - Instant access | 148,617 | 132,340 |
| Bank balances - Notice accounts | 5,500 | - |
| Cash and cash equivalents held for the benefit of the policyholders - instant access - ILUK | 1,231,043 | 1,048,129 |
| Cash and cash equivalents held for the benefit of the policyholders - term deposits - ILUK | 51,982 | 61,085 |
| Cash and cash equivalents held for the benefit of the policyholders - instant access - ILINT | 100,716 | 98,083 |
| Cash and cash equivalents held for the benefit of the policyholders - term deposits - ILINT | 1,985 | 2,982 |
| Total | 1,539,843 | 1,342,619 |

Bank balances held in instant access accounts are current and available for use by the Group.

All of the bank balances held in notice accounts require less than 35 days' notice before they are available for use by the Group.

The cash and cash equivalents held for the benefit of the policyholders are held to cover the liabilities for unit linked investment contracts. These amounts are 100% matched to corresponding liabilities.

22. Financial assets at fair value through profit or loss

| | Group | Group |
|------------------------------|--------------|--------------|
| | 2020 | 2019 |
| | £'000 | £'000 |
| Listed shares and securities | 92 | 69 |
| Gilts | 4,959 | 4,997 |
| | 5,051 | 5,066 |

Investments are all UK and sterling based and held at fair value.

23. Other prepayments and accrued income

| | Group | Company | Group | Company |
|-----------------------------|---------------|----------------|---------------|----------------|
| | 2020 | 2020 | 2019 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Accrued income | 10,956 | - | 10,390 | - |
| Less: credit loss allowance | (712) | - | (622) | - |
| Accrued income - net | 10,244 | - | 9,768 | - |
| Prepayments | 4,168 | 56 | 3,314 | 30 |
| | 14,412 | 56 | 13,082 | 30 |

Movement in the credit loss allowance (for accrued income and loans receivable) is as follows:

| | 2020 | 2019 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Opening credit loss allowance | (646) | (796) |
| Reduction in credit loss allowance | - | 170 |
| (Increase)/decrease during the year | (176) | (20) |
| Balance at 30 September | (822) | (646) |

24. Trade and other receivable

| Group | Company | Group | Company |
|--------------|----------------|-------------------|----------------|
| 2020 | 2020 | 2019 | 2019 |
| | | (restated) | |
| £'000 | £'000 | £'000 | £'000 |

| | 2020 | 2019 | 2020 | 2019 |
|---|--------------|------------|--------------|-----------|
| Amounts owed by Group undertakings | - | 342 | - | 86 |
| Amounts due to HMRC | 2,227 | - | 1,384 | - |
| Amount due from policyholders to meet current tax liability | - | - | 3,098 | - |
| Other receivables | 1,329 | - | 2,707 | - |
| | 3,556 | 342 | 7,189 | 86 |

Amount due from HMRC is in respect of tax claimed on behalf of policyholders for tax deducted at source.

25. Trade and other payables

| | Group 2020 £'000 | Company 2020 £'000 | Group 2019 £'000 | Company 2019 £'000 |
|------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Trade payables | 1,716 | 7 | 498 | - |
| PAYE and other taxation | 1,420 | 67 | 1,343 | 70 |
| Due to Group undertakings | - | 56 | - | 9 |
| Other payables | 7,436 | 49 | 8,242 | 49 |
| Accruals and deferred income | 7,794 | 312 | 6,941 | 390 |
| | 18,366 | 491 | 17,024 | 518 |

Other payables mainly comprises £6.2m (2019: £5.1m) in relation to bonds awaiting approval and the rent free reserve of £2.5m in 2019.

26. Lease liabilities

Lease liabilities - Property:

| | £'000 |
|---|--------------|
| Lease liabilities on adoption of IFRS 16 - 1 October 2019 | 8,336 |
| Lease payments | (2,477) |
| Interest expense | 233 |
| Foreign exchange adjustment | (5) |
| Balance at 30 September 2020 | 6,087 |
| Amounts falling due within one year | 2,375 |
| Amounts falling due after one year | 3,712 |

The above table provides a reconciliation of the financial liabilities arising from financing activities.

The total future minimum lease payments of operating leases are due as follows:

| | Land and Buildings 2020 £'000 | Land and Buildings 2019 £'000 |
|------------------|--|--|
| Group | | |
| Within 1 year | - | 2,511 |
| Within 2-5 years | - | 6,257 |
| Over 5 years | - | - |

The introduction of IFRS 16 has meant that for financial year to 30 September 2020, the land and building lease commitments (which related to the leasehold premises at 29 Clement's Lane, ILInt leasehold premises at 18/20 North Quay on the Isle of Man, and the IAD Pty leasehold premises at 19-25 Camberwell Road, Melbourne, Australia) are not classified as operating leases, but rather finance leases which have been recognised on the balance sheet.

Short term, low value leases include a car park at the ILInt leasehold premises (£4,000) and a franking machine at the ISL premises (£3,000). These lease payments have been charged to the profit or loss account on a straight line basis over the lease terms.

27. Deferred income liability

| | 2020 £'000 | 2019 £'000 |
|--------------------------------------|---------------|---------------|
| Opening balance | 50,443 | 46,073 |
| Capitalisation of deferred income | 10,615 | 11,668 |
| Amortisation of deferred income | (7,576) | (7,298) |
| Change in deferred acquisition costs | 3,038 | 4,370 |
| Closing balance | 53,482 | 50,443 |

28. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019: 17%).

| Deferred Tax Asset | Accelerated capital allowances | Share based payments | Policyholder tax | Other deductible temporary differences | Total |
|-------------------------------------|---------------------------------------|-----------------------------|-------------------------|---|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 October 2018 | 44 | - | - | - | 44 |
| Charge to income | (44) | 110 | - | 47 | 113 |
| At 30 September 2019 | - | 110 | - | 47 | 157 |
| Adjustment in respect of prior year | - | 108 | - | 18 | 127 |
| Adjustment to opening balances | - | - | - | 32 | 32 |
| Excess tax relief charged to equity | - | 60 | - | - | 60 |
| Charge to income | - | 124 | - | (10) | 113 |
| At 30 September 2020 | - | 402 | - | 87 | 489 |

| Deferred Tax Liability | Accelerated capital allowances | Share based payments | Policyholder tax | Other deductible temporary differences | Total |
|-------------------------------|---------------------------------------|-----------------------------|-------------------------|---|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 October 2018 | - | - | 13,187 | - | 13,187 |
| Charge to income | 60 | - | 1 | - | 61 |
| At 30 September 2019 | 60 | - | 13,188 | - | 13,248 |
| Charge to income | 61 | - | (4,341) | - | (4,280) |
| At 30 September 2020 | 121 | - | 8,847 | - | 8,968 |

The Company has no deferred tax assets or liabilities.

29. Client monies and client assets

| 2020 | £'000 | | £'000 |
|---------------|--------------|-------------------------|--------------|
| Client monies | 3,106,978 | Amounts due to clients | 3,106,978 |
| Client assets | 37,985,921 | Corresponding liability | 37,985,921 |
| 2019 | £'000 | | £'000 |
| Client monies | 2,626,624 | Amounts due to clients | 2,626,624 |
| Client assets | 35,172,798 | Corresponding liability | 35,172,798 |

The above client monies are held separately (off balance sheet) in client bank and the above client assets are held on behalf of Integrated Financial Arrangements Ltd by Transact Nominees Limited.

30. Provisions

| | Group 2020 | Group 2019 (restated) |
|---|-------------------|------------------------------|
| | £'000 | £'000 |
| Balance brought forward | 18,230 | 13,756 |
| Increase in dilapidations provision | 52 | 38 |
| Increase in ILInt non-linked unit provision | 2 | 3 |
| Increase/(decrease) in ILUK tax provision | 6,924 | 4,632 |
| Release of rent provision | - | (102) |
| Other provisions | - | (97) |
| Balance carried forward | 25,208 | 18,230 |
| | | |
| Dilapidations provisions | 464 | 413 |
| ILInt non-linked unit provision | 41 | 39 |
| ILUK tax provision | 24,703 | 17,778 |
| | 25,208 | 18,230 |

The dilapidation provisions relate to the current leasehold premises at 29 Clement's Lane, and the current ILInt leasehold premises at 18/20 North Quay, on the Isle of Man. The

Group is committed to restoring the premises to their original state at the end of the lease term. Whilst it is probable that payments will be required for dilapidations, uncertainty exists with regard to the amount and timing of these payments, and the amounts provided represent management's best estimate of the Group's liability.

ILUK tax provision comprises claims received from HMRC that are yet to be returned to policyholders, charges taken from unit-linked funds and claims received from HMRC to meet current and future policyholder tax obligations. These are expected to be paid to policyholders over the course of the next seven years.

31. Capital redemption reserve - Group

| | 2020 £'000 | 2019 £'000 |
|-------------------------|---------------|---------------|
| Balance brought forward | 2 | 2 |
| Balance carried forward | 2 | 2 |

On 12 December 2013 IFAL was granted authority by shareholders to repurchase £4,500,000 worth of ordinary shares from shareholders. IFAL purchased 45,917 shares, and they were then cancelled, giving rise to a capital redemption reserve of £2,271.

32. Share-based payments

Share-based payment reserve

| | Group 2020 £'000 | Company 2020 £'000 | Group 2019 £'000 | Company 2019 £'000 |
|-------------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Balance brought forward | 1,008 | 880 | 530 | 350 |
| Movement in the year | 723 | 190 | 531 | 530 |
| Transfer to profit and loss reserve | (33) | - | (53) | - |
| Balance carried forward | 1,698 | 1,070 | 1,008 | 880 |

The reduction in reserves of £33k (2019: £53k) is due to former members of staff leaving the SIP 2005 scheme.

Share schemes

(i) SIP 2005

IFAL implemented a SIP trust scheme for its staff in October 2005. The SIP is an approved scheme under Schedule 2 of the Income Tax (Earnings & Pensions) Act 2003.

This scheme entitled all the staff who were employed in October 2005 to Class C shares in IFAL, subject to their remaining in employment with the company until certain future dates.

The Trustee for this scheme is IntegraFin Limited, a wholly owned non-trading subsidiary of IFAL.

Shares issued under the SIP may not be sold until the earlier of three years after issue or cessation of employment by the Group. If the shares are held for five years they may be sold free of income tax or capital gains tax. There are no other vesting conditions.

The cost to the Group in the financial year to 30 September 2020 was £nil (2019: £nil). There have been no new share options granted.

(ii) SIP 2018

The Company implemented an annual SIP awards scheme in January 2019. This is an approved scheme under Schedule 2 of the Income Tax (Earnings & Pensions) Act 2003, and entitles all eligible employees to ordinary shares in the Company. The shares are held in a UK Trust.

The scheme includes the following awards:

Free Shares

The Company may give Free Shares up to a maximum value, calculated at the date of the award of such Free Shares, of £3,600 per employee in a tax year.

The share awards are made by the Company each year, dependent on 12 months continuous service at 30 September. The cost to the Group in the financial year to 30 September 2020 was £649k (2019: £641k).

Partnership and Matching Shares

The Company provides employees with the opportunity to enter into an agreement with the Company to enable such employees to use part of their pre-tax salary to acquire Partnership Shares. If employees acquire Partnership Shares, the Board grants relevant Matching Shares at a ratio of 2:1.

The cost to the Group in the financial year to 30 September 2020 was £555k (2019: £427k).

(iii) *Performance Share Plan*

The Company implemented an annual PSP scheme in December 2018. Awards granted under the PSP take the form of options to acquire Ordinary Shares for nil consideration. These are awarded to Executive Directors, Senior Managers and other employees of any Group company, as determined by the Remuneration Committee.

The exercise of the PSP awards is conditional upon the achievement of a performance condition set at the time of grant and measured over a three year performance period.

The cost to the Group in the financial year to 30 September 2020 was £423k (2019: £194k). This is based on the fair value of the share options at grant date, rather than on the purchase cost of shares held in the Employee Benefit Trust reserve, in line with IFRS 2 Share-based Payment.

Details of the share awards outstanding are as follows:

| | 2020 Shares (number) | 2019 Shares (number) |
|--|-------------------------------------|-------------------------------------|
| SIP 2018 | | |
| Shares in the plan at start of the year | 251,541 | - |
| Granted | 275,249 | 264,661 |
| Shares withdrawn from the plan | (53,107) | (13,120) |
| Shares in the plan at end of year | 473,683 | 251,541 |
| Available to withdraw from the plan at end of year | 83,569 | 61,446 |

Details of the movements in the share scheme during the year are as follows:

| | 2020 Weighted average exercise price (pence) | 2020 Shares (number) | 2019 Weighted average exercise price (pence) | 2019 Shares (number) |
|--|---|-------------------------------------|---|-------------------------------------|
| SIP 2005 | | | | |
| Outstanding at start of the year | 0.00 | 1,630,190 | 0.00 | 2,307,274 |
| Shares withdrawn from the plan | 0.00 | (428,967) | 0.00 | (677,084) |
| Shares in the plan at end of year | 0.00 | 1,201,223 | 0.00 | 1,630,190 |
| Available to withdraw from the plan at end of year | 0.00 | 1,201,223 | 0.00 | 1,630,190 |

The weighted average share price at the date of withdrawal for shares withdrawn from the plan during the year was 487.76p (2019: 342.39p).

At 30 September 2020 the exercise price was £nil as they were all nil cost options.

| | 2020 Weighted average exercise price (pence) | 2020 Share options (number) | 2019 Weighted average exercise price (pence) | 2019 Share options (number) |
|----------------------------------|---|--|---|--|
| PSP | | | | |
| Outstanding at start of the year | 0.00 | 269,511 | 0.00 | - |
| Granted | 0.00 | 165,132 | 0.00 | 275,481 |
| Forfeited | 0.00 | - | 0.00 | (5,970) |
| Outstanding at end of year | 0.00 | 434,643 | 0.00 | 269,511 |
| Exercisable at end of year | 0.00 | - | 0.00 | - |

The fair value of options granted during the year has been estimated using the Black-Scholes model. The principal assumptions used in the calculation were as follows:

| | 2020 | 2019 |
|------------------------------|-------------|-------------|
| PSP | | |
| Share price at date of grant | 454.5 | 276.5 |
| Exercise price | Nil | Nil |

| | | |
|--|---------|---------|
| Expected life | 3 years | 3 years |
| Risk free rate | 0.52% | 0.73% |
| Dividend yield | 1.7% | 1.4% |
| Weighted average fair value per option | 431.7 p | 265.1 p |

33. Employee Benefit Trust reserve

Group:

| | 2020 | 2019 |
|-------------------------|----------------|--------------|
| | £'000 | £'000 |
| Balance brought forward | (275) | - |
| Purchase of own shares | (828) | (275) |
| Balance carried forward | (1,103) | (275) |

Company:

| | 2020 | 2019 |
|-------------------------|--------------|--------------|
| | £'000 | £'000 |
| Balance brought forward | (275) | - |
| Purchase of own shares | (594) | (275) |
| Balance carried forward | (869) | (275) |

The Employee Benefit Trust ("EBT") was settled by the Company pursuant to a trust deed entered into between the Company and Intertrust Employee Benefit Trustee Limited ("Trustee"). The Company has the power to remove the Trustee and appoint a new trustee. The EBT is a discretionary settlement and is used to satisfy awards made under the PSP.

The Trustee purchases existing Ordinary Shares in the market, and the amount held in the EBT reserve represents the purchase cost of IHP shares held to satisfy options awarded under the PSP scheme. IHP is considered to be the sponsoring entity of the EBT, and the assets and liabilities of the EBT are therefore recognised as those of IHP. Shares held in the trust are treated as treasury shares and shown as a deduction from equity.

34. Other reserves - Group

| | 2020 | 2019 |
|--------------------------------------|-------|-------|
| | £'000 | £'000 |
| Foreign exchange reserves | (22) | (44) |
| Non-distributable reserves | 5,722 | 5,722 |
| Non-distributable insurance reserves | 501 | 501 |

Foreign exchange reserves are gains/losses arising on retranslating the net assets of IAD Pty into sterling.

Non-distributable reserves relate to share premium held by one of the Company's subsidiaries, IFAL, which is classified within other reserves on a Group level.

Non-distributable insurance reserves arose due to the transition from UK GAAP to IFRS in financial year 2015, whereupon actuarial reserving required under the old standards became impermissible under new standards.

35. Related parties

During the year the Company did not render nor receive any services with related parties within the Group, and at the year end the Company had the following intra-Group receivables:

| | Amounts owed by/ (to) related parties | |
|---|--|-------|
| Company | 2020 | 2019 |
| | £'000 | £'000 |
| Integrated Financial Arrangements Ltd | 8 | 11 |
| IntegraFin Services Limited | 277 | 70 |
| IntegraFin Limited | (9) | (9) |
| IntegraLife UK Limited | 4 | 4 |
| Integrated Application Development Pty Limited | 6 | 1 |

The Group has not recognised any expected credit losses in respect of related party receivables nor has it been given or received any guarantee during 2020 or 2019 regarding related party transactions.

Payments to key management personnel, defined as members of the Board, are shown in the Remuneration Report. Directors of the Company received a total of £4.3m in dividends during the year. The number of IHP shares held at the end of the year by key management personnel was 51,256,896, a decrease of 14,477,377 from last year.

All of the above transactions are commercial transactions undertaken in the normal course of business.

36. Contingent liabilities

In January 2020 the Group received notice from HMRC that the inclusion of Integrated Application Development Pty Ltd (IAD) in the UK VAT group was terminated with effect from 16 July 2016. The Group included IAD in the UK VAT group having taken specialist advice to ensure its actions were in accordance with the relevant laws. The consequence of the exclusion of IAD from the UK VAT group is that the services provided from Australia would now be subject to reverse-charge VAT.

The Group has challenged this notification and opened a discussion with HMRC about its intention to exclude IAD from the UK VAT group, therefore the financial implications of this notice, including the timing of any potential payment, remain uncertain, pending the outcome of the reconsideration of the exclusion.

HMRC's notice states that the VAT due since July 2016 until October 2019 will be approximately £4.3m and that going forward there would be an additional annual VAT charge of approximately £1.4m. The Group does not yet know whether HMRC will charge interest and/or a penalty if the appeal to the notification is unsuccessful.

Due to the ongoing uncertainty around the additional VAT charges, pending the outcome of the dialogue with HMRC, the Directors do not believe it would be appropriate to recognise a provision in these financial statements. Payment of the additional VAT charges is considered to be less than probable and this is supported by both the original VAT advice received from specialists when the VAT group was created, and subsequent specialist advice following HMRC's challenge in January 2020.

37. Events after the reporting date

A second interim dividend of 5.6 pence per share was declared on 16 December 2020.

38. Dividends

During the year to 30 September 2020 the Company paid interim dividends of £26.2m (2019: £29.8m) to shareholders. The Company received dividends from subsidiaries of £32.3m (2019: £30.1m).

39. Restatement of prior years

Profit after tax for financial year 2019 has been restated to £41.1 million, an increase from £40.1 million, and an adjustment to 2019 opening retained earnings has been made of £5.4m.

The restatement of profit after tax across prior years is due to the identification of an error in the calculation of the policyholder tax provision (over) in the subsidiary, ILUK, which is one of the elements of the Group's insurance and life assurance segment. The error was due to corporate expenses being deducted in the policyholder tax calculation resulting in an overprovision of tax reserves due back to policyholders. As a result, there has been a release of the policyholder tax provision to the retained earnings as at 1 October 2018 and to the statement of profit or loss and other comprehensive income in 2019.

The above change has been reflected by restating each of the affected financial statement line items for the periods as follows:

a) Statement of Profit or Loss and Other Comprehensive Income (extract)

| | 2019 £'000 | Increase to profit £'000 | 2019 (restated) £'000 |
|---|---------------|--------------------------------|-----------------------------|
| Other income included within administration expenses | (49,726) | 953 | 48,773 |
| Operating profit attributable to shareholder returns | 48,613 | 953 | 49,566 |
| Profit on ordinary activities before taxation | 56,073 | 953 | 57,026 |
| Profit before shareholder taxation | 48,958 | 953 | 49,911 |
| Policyholder tax | (6,969) | 146 | (7,115) |
| Shareholder tax | (8,811) | (139) | (8,950) |
| Profit after policyholder and shareholder tax | 40,147 | 960 | 41,107 |
| Earnings per share - basic and diluted | 12.1 | 0.3p | 12.4p |

b) Statement of Financial Position (extract)

| | 2019 £'000 | Increase/ (decrease) £'000 | 2019 (restated) £'000 |
|-----------------------------|-------------------|----------------------------------|-----------------------------|
| Trade and other receivables | 6,510 | 679 | 7,189 |
| Total current assets | 16,822,046 | 679 | 16,822,725 |

| | | | |
|--|-------------------|----------------|-------------------|
| Provisions | 24,564 | (6,334) | 18,230 |
| Current tax liability | 3,342 | 645 | 3,987 |
| Total liabilities | 16,773,669 | (5,690) | 16,767,979 |
| Net assets | 115,518 | 6,369 | 121,887 |
| Retained earnings | 105,291 | 6,369 | 111,660 |
| Total equity attributable to equity holders | 115,518 | 6,369 | 121,887 |

c) Statement of Financial Position (extract)

| | 1 October 2018 | Increase/ (decrease) | 1 October 2018 (restated) |
|--|---------------------------|---------------------------------|--|
| | £'000 | £'000 | £'000 |
| Trade and other receivables | 4,058 | 533 | 4,591 |
| Total current assets | 14,628,530 | 533 | 14,629,063 |
| Provisions | 19,137 | (5,381) | 13,756 |
| Current tax liability | 3,195 | 507 | 3,702 |
| Total liabilities | 14,585,672 | (4,874) | 14,580,798 |
| Net assets | 104,943 | 5,407 | 110,350 |
| Retained earnings | 94,899 | 5,407 | 100,306 |
| Total equity attributable to equity holders | 104,943 | 5,407 | 110,350 |

40. Restatement of presentation

In addition to the restatement explained above, certain comparatives have been reclassified due to an error in presentation in prior years.

This has the effect of reflecting items of income, expenses, gains and losses relating to the Group's insurance and life assurance segment on a gross basis, rather than on a net basis.

In addition, cash held by the Group's insurance and life assurance segment, for the benefit of policyholders has been separately disclosed in cash and cash equivalents.

These changes have no effect on net assets or overall profit.

Details of these changes are shown below.

a) Statement of Profit or Loss and Other Comprehensive Income (extract)

| | 2019 | Increase to profit | 2019 (restated) |
|---|--------------|-------------------------------|----------------------------|
| | £'000 | £'000 | £'000 |
| Investment returns | 37 | 680,385 | 680,422 |
| Fee and commission expenses | - | (125,618) | (125,618) |
| Change in investment contract liabilities | - | (554,767) | (554,767) |

b) Statement of Financial Position (extract)

| | 2019 | Increase/ (decrease) | 2019 (restated) |
|---|--------------|---------------------------------|----------------------------|
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 132,340 | 1,210,279 | 1,342,619 |
| Investments held for the benefit of policyholders | 16,665,048 | (1,210,279) | 15,454,769 |

c) Statement of Financial Position (extract)

| | 1 October 2018 | Increase/ (decrease) | 1 October 2018 (restated) |
|---|---------------------------|---------------------------------|--|
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 116,849 | 1,113,452 | 1,230,301 |
| Investments held for the benefit of policyholders | 14,489,933 | (1,113,452) | 13,376,481 |

d) Statement of Cash Flows (extract)

| | 2019 | Increase/ (decrease) | 2019 (restated) |
|---|--------------|---------------------------------|----------------------------|
| | £'000 | £'000 | £'000 |
| Cash flows from operating activities | | | |

| | | | |
|---|----------------|------------------|------------------|
| (Increase) in investments held for the benefit of policyholders | - | (2,078,288) | (2,078,288) |
| Increase in liabilities for linked investment contracts | - | 2,175,115 | 2,175,115 |
| Increase in cash | 15,511 | 96,827 | 112,338 |
| Cash and cash equivalents at the beginning of the year | 116,849 | 1,113,452 | 1,230,301 |
| Cash and cash equivalents at the end of the year | 132,340 | 1,210,279 | 1,342,619 |

DIRECTORS, COMPANY DETAILS, ADVISERS

Executive Directors

Ian Taylor
Michael Howard
Alexander Scott
Jonathan Gunby (appointed 2nd March 2020)

Non-Executive Directors

Richard Cranfield
Christopher Munro
Neil Holden
Caroline Banszky
Victoria Cochrane
Robert Lister

Company Secretary

Helen Wakeford

Independent Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Solicitors

Eversheds Sutherland, One Wood Street, London, EC2V 7WS

Corporate Advisers

Peel Hunt LLP, Moor House, 120 London Wall, London, EC2Y 5ET

Principal Bankers

NatWest Bank Plc, 135 Bishopsgate, London, EC2M 3UR

Registrars

Equiniti Group plc, Sutherland House, Russell Way, Crawley, RH10 1UH

Registered Office

29 Clement's Lane, London, EC4N 7AE

Investor Relations

Jane Isaac 020 7608 4900

Website

www.integrafin.co.uk

Company number

8860879

LEI number

213800CXYZKXK9PQYE87

IntegraFin Holdings plc, 29 Clement's Lane, London, EC4N 7AE
Tel: (020) 7608 4900 Fax: (020) 7608 5300
(Registered office: as above; Registered in England and Wales under number: 8860879)
The holding company of the Integrated Financial Arrangements Ltd group of companies.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact

rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

FR KKABQNBDBQBD